

Audit and Risk Committee

13 March 2017

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

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

Membership

Chair Cllr Craig Collingswood (Lab)

Vice-chair Cllr Christine Mills (Con)

Labour

Cllr Harbans Bagri
Cllr Mary Bateman
Cllr Philip Bateman
Cllr Jasbir Jaspal
Cllr Martin Waite

Conservative

Cllr Andrew Wynne

Independent Member

Mr Mike Ager

Quorum for this meeting is two Councillors.

Information for the Public

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

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

Agenda

Part 1 – items open to the press and public

MEETING BUSINESS ITEMS

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|--|
| 1 | Apologies for absence |
| 2 | Declaration of interests |
| 3 | Minutes of previous meeting - 12 December 2016 (Pages 5 - 12)
[For approval] |
| 4 | Matters arising
[To consider any matters arising from the minutes] |

DECISION ITEMS

- | | |
|----|---|
| 5 | Audit and Risk Committee - Terms of Reference (Pages 13 - 18)
[To review the Committee's terms of reference] |
| 6 | External Audit Plan (Pages 19 - 46)
[To receive an update on the Audit Plan from the Council's external auditors, Grant Thornton, for the year ended 31 March 2017] |
| 7 | Grant Certification Work (Pages 47 - 50)
[To receive an update on the outcome of grant certification work undertaken by the Council's external auditors, Grant Thornton] |
| 8 | External Audit Communication (Pages 51 - 76)
[To consider the report from the external auditors Grant Thornton] |
| 9 | Strategic Risk Register and Strategic Assurance Map (Pages 77 - 102)
[To note the latest summary of the Council's strategic risk register and the main sources of assurance available to show that the risks are being mitigated] |
| 10 | Progress Update on the Action Plan Arising from the Local Government Association Peer Review (Pages 103 - 114)
[To review the progress on the action plan from the recommendations within the Local Government Association Finance Peer Review final report of June 2016] |
| 11 | Internal Audit Update - Quarter Three (Pages 115 - 126)
[To note the contents of the latest internal audit update] |
| 12 | Internal Audit Plan 2017/18 (Pages 127 - 150)
[To approve the risk based internal audit plan for 2017/18] |

- 13 **Audit Services - Counter Fraud Update** (Pages 151 - 226)
[To note the contents of the latest Audit Service's counter fraud update]
- 14 **Review of Fraud Related Policies and Procedures** (Pages 227 - 248)
[To review and approve updated fraud related policies and procedures]
- 15 **Payment Transparency** (Pages 249 - 250)
[To note the current position with regards to the publication of the Council's expenditure]
- 16 **EU Funding**
[To note projects currently being funded by European Structural and Investment Funds, those in the pipeline and the potential impact of Brexit][Report to follow]
- 17 **Exclusion of Press and Public**
[To pass the following resolution:
- That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below]

Part 2 - exempt items, closed to press and public

- 18 **Audit Investigations Update** (Pages 251 - 256) Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
[To review the current position on audit investigations]

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Audit and Risk Committee

Minutes - 12 December 2016

Attendance

Members of the Audit and Risk Committee

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

Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Hayley Reid	Senior Auditor
Mark Taylor	Director of Finance
Mark Wilkes	Client Lead Auditor
Helen Winfield	Head of Service, Community Financial Support

External Auditors - Grant Thornton

Nicola Coombe

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Cllrs Harbans Bagri and Martin Waite and Terry Day (Independent Member).
- 2 Declaration of interests**
Cllr Christine Mills declared a non-pecuniary personal interest in item 7 (Internal Audit - Quarter Two Update) in so far as it related to a secondary pupil referral unit where she is a member.

Cllrs Mary Bateman and Phil Bateman also declared a non-pecuniary personal interest in item 7 in so far as it related to Phoenix School where they had recently been appointed Governors.

3 **Minutes of previous meeting - 19 September 2016**

Resolved:

That the minutes of the previous meeting held on 19 September 2016 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to Minute No. 5 (Annual Report to those Charged with Governance - ISA 260), and in response to Cllrs Andrew Wynne and Phil Bateman, Nicola Coombe from the Council's External Auditors, Grant Thornton reported that they were comfortable with the assumptions the Council was making on its plans to address the budget deficit.

5 **Annual Audit Letter for City of Wolverhampton Council**

Nicola Coombe, Grant Thornton presented the Annual Audit Letter for City of Wolverhampton Council. It was a mandatory document which the External Auditor was required to bring to the Audit and Risk Committee's attention. The document had been agreed with the Council's Director of Finance in October 2016 and was a summary of the audit work undertaken by the External Auditor and previously reported to the Committee. Grant Thornton also reported that since the report had been agreed with the Director of Finance things had moved on in a number of areas. The work to certify the Council's housing benefit subsidy claim on behalf of the Department for Work and Pensions had now been completed along with work related to certification grants. The report from the External Auditor would be presented to the Committee early in the New Year on certification of grants in their Annual Certification Letter. The Committee's attention was also drawn to an error on page 14 of the Audit Letter where the word 'underspend' should be substituted for the word 'overspend' in the last sentence of the second paragraph of the findings and conclusions section. Grant Thornton undertook to forward an updated Annual Audit Letter with the correction. Grant Thornton also advised that it was no longer a requirement of their audit work to undertake work relating to highways network assets. It was however proposed to front load a lot of the work during 2016/17 to ease the burden before the requirement comes on stream in 2017.

Cllr Phil Bateman commented that he was pleased with where the Audit Letter showed that the Council was. To get such a clean opinion from the External Auditor reflected well on the Council and was something it should be proud of and should publicise. On the key finding within the Audit Letter concerning 'Schools effectiveness and attainment', Cllr Phil Bateman expressed his concern at the progress being made in this area and indicated that he was not persuaded that the Council was 'out of the woods' in terms of improvement in school attainment. He reported that he had seen a piece of work in relation to the whole of the West Midlands region and he was uneasy about the attainment of Wolverhampton's schools, both academies and maintained schools. In response Peter Farrow, Head of Audit advised that school improvement had been identified as a risk and was included in the Council's risk register as Amber as it was felt the risk was being well managed. He suggested, and the Committee agreed that the Director for Education be asked to attend the next meeting to give an update on progress in this key risk area.

Cllr Jasbir Jaspal asked whether the work on income generation was complete. The Director of Finance reported that the Council's Strategic Executive Board would be receiving an update on the piece of work from Grant Thornton at its meeting on 13

December 2016. Depending on their findings, the outcomes would be fed into the Council's budget report for February 2017.

Responding to a question from the Chair regarding the method for the valuation of property, plant and equipment, the Director of Finance confirmed that in line with the recommendation from Grant Thornton, the 2016/17 valuation would include site visits as part of the valuation process.

The Chair also referred to the risk area 'Group accounts', within the Audit Management Letter, particularly the reference to housing services income and expenditure being overstated by £98 million. Grant Thornton advised that this related to an error in the spreadsheets and it had no net impact on the Council's finances.

Resolved:

1. That the annual audit management letter for City of Wolverhampton Council for the year ended 31 March 2016 be received and noted.
2. That the Director for Education be asked to attend the next meeting to give an update on progress in this key risk area 'Schools effectiveness and attainment'.

6 **Strategic Risk Register and Strategic Assurance Map**

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

Cllr Christine Mills commented that there had not been any movement in the score and RAG rating for risk 2 – 'Skills to Work' during the quarter August to November 2016 yet it was anticipated that the risk score would be reduced by March 2017. She sought assurance that the anticipated reduction in the risk score would be justified and not merely achieved following a proposed combining of the risk with risk area 10 - Economic Inclusion. She requested a full account on how the two risks would be merged and the position of the risk scores pre and post-merger.

Mike Ager, Independent Member also commented that Adult Social Care was a high-profile area nationally. He asked the Senior Auditor whether she was satisfied that Amber was a correct reflection as to where the Council was for risk 21 – Transforming Adult Social Care programme. The Senior Auditor advised that the programme was meeting its targets. Peter Farrow, Head of Audit suggested that the Risk Owner be invited to attend a future meeting of the Committee to report in detail on this risk area and the work taking place to mitigate the risk.

Responding to the Chair's questions, the Head of Audit confirmed that the Audit team continued to monitor the Equal Pay risk via the operational risk register. The risk could be transferred back onto to the strategic risk register if the position changed. The Head of Audit also explained how target dates were set for each risk area and reported that where targets scores and dates were not met, a reason would be given in the risk register.

Mark Taylor, Director of Finance gave a brief overview in respect of strategic risk 4 - Medium Term Financial Strategy (MTFS) and how the risk was being managed. Responding to the Committee's questions he reported that:

- The period of the Local Government Association (LGA) Finance Peer Review was a positive experience and the outcome was what the Council had hoped for.

The recommendations from the Peer Review were included in an action plan which had been scrutinised by the Council's Confident, Capable Council Scrutiny Panel and approved by Cabinet. An update on progress with the action plan would be made for the Corporate Peer Review Challenge in 2017 and would be shared with the Committee.

- One of the recommendations from the Finance Peer Review related to making the Council's approach to capital programming more robust. Generally there tended to be slippage in capital programmes. The profile of expenditure was the issue as the Council's figures in the capital programme did not tie up with the programme delivery. Measures to respond to the recommendation were included in the review action plan which included bringing finance and project management information together.
- The Public Health (PH) grant was a separate grant which the Council received. It was part of the Council's MTFS. The PH grant does not feature in the Council's four year financial settlement from Central Government so the Council was not aware at this stage how much PH grant it would receive over the next four years. The grant was ring fenced and protected. It had to be spent on public health and public health outcomes.
- It is anticipated that the Council's Financial Settlement letter would be received from the Government earlier than in previous years and was expected within the next few weeks.
- The Council has recently undergone the LGA Finance Peer Review and two years prior to that also undergone external evaluation. On average the Council had undertaken some form of external assurance work every two/three years. In terms of external assurance moving forward it was most likely that with this would come from the Peer Challenge in 2017 and the Council's External Auditors Grant Thornton. If further assurance was required it would be obtained. In addition, probably within the next 12 to 18 months the Peer Review team would be invited back to review progress made against the action plan. Audit Services also reviewed the Council's plans and assumptions for its MTFS based on a risk based assessment.

Resolved:

1. That the strategic risk register be noted.
2. That the identification of a new risk - risk 21 in relation to the Transforming Adult Social Care (TASC) programme be noted and the risk owner be invited to a future meeting of the Committee to give a detailed update on how the risk is being managed.
3. That the reduction and transfer of risk 16 – Equal Pay from the strategic risk register to operational risk register, reflecting the agreement with the Trade Unions on how to deal with second generation claims be noted.
4. That the reduction in the assessment of the following risks be noted:
 - Risk 1 – Looked After Children (LAC), as a result of continued progress and the fall in LAC numbers.
 - Risk 3 – Information Governance, reflecting performance in this area.
 - Risk 8 – Business Continuity Management (BCM), due to the progress made against the Resilience Board work plan.

5. That it be noted that the Council has considered the implications of Brexit. Grant Thornton recently facilitated a session with the senior leadership team to discuss any risks, opportunities and mitigations arising from Brexit. It had been decided that no new risks require inclusion in the strategic risk register at this time. The Council would continue to monitor the situation and any new risks or changes to the assessment of current risks would be reported to a future Audit and Risk Committee meeting.
6. That it be noted that following consideration by the Strategic Executive Board it has been agreed that risk 2 – Skills for Work and risk 10 – Economic Inclusion would be reviewed and combined to reflect the Council’s current priorities and work programmes within the Place Directorate.
7. That a full explanation on how risks 2 and 10 are to be combined and the position of the risks prior to and post-merger be submitted to a future meeting.
8. That the main sources of assurance available to the Council against its strategic risks at Appendix B to the report be noted.
9. That an update on progress with the LGA Finance Peer Review action plan be shared with the Committee.

7 **Internal Audit Update - Quarter Two**

Peter Farrow, Head of Audit presented the update report on progress made against the 2016/17 audit plan and on recently completed audit work. Two limited assurance reports had been issued during the quarter. He informed the Committee that if progress remained on track between now and the year-end he would be able to issue an unqualified opinion.

The Chair queried the ten Amber recommendations from the ‘Section 17 Payments’ Audit review. The Head of Audit acknowledged that the number was high. Some of the recommendations related to teams getting used to using the Agresso system for making payments and some related to where payments had not been authorised. The Audit team would follow up on the recommendations to check that they had been actioned and report back to Committee on the progress made at a future date.

Resolved:

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

8 **Audit Services - Counter Fraud Update**

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

In response to questions raised by the Committee about the Single Person Discount matching exercise, the Client Lead Auditor confirmed that the Council does track back as far as it feels it is able to validate whether there was evidence that more than one person was living in a property at the time council tax single person discount was being claimed. He anticipated that it would not take long to investigate the 1,350 accounts from the discount matching exercise identified as having a high probability that more than one person was resident. The Council Tax team would write to all the individuals and they would need to confirm that they are the only person resident at the property. If they are unable to do so and where appropriate the discount would be

removed. The Client Lead Auditor undertook to report back to a future meeting on the outcome of the investigations into the 1,350 council tax accounts.

In response to a question regarding the Council's response to cyber and data security, the Client Lead Auditor advised that the Council had firewalls in terms of its IT systems to protect it from cyber-crime. The Council was also a member of the Government's Connect Accreditation which gave a high level of protection and assurance. In terms of data security, this was covered by the Council's Information Governance team. Any issues or data breaches were investigated by the Team and reported back and they undertook work to improve controls.

Referring to the data matches being investigated by the West Midlands Pension Fund, the Client Lead Auditor reported that the Pension Fund was taking action to recover overpayments identified through the Pensions/Pension Gratuity to Department for Work and Pensions Deceased matching exercise. The Client Lead Auditor also reported on how Audit Services was taking forward the recommendations within the National Fraud Initiative Report 2016. He undertook to look into and if possible report back with an explanation for the variation in the aggregate amount of fraud, error or overpayments identified by the NFI in Scotland, Wales, England and Northern Ireland for the period 1996 to 2016.

Resolved:

1. That the contents of the latest Audit Services Counter Fraud Services update be noted.
2. That an update on the outcome of the investigations into the 1350 council tax accounts identified from the Single Person Discount matching exercise be submitted to a future meeting.
3. That the next update on counter fraud activity include, if possible, an explanation for the variation in the aggregate amount of fraud, error or overpayments identified by the NFI in Scotland, Wales, England and Northern Ireland for the period 1996 to 2016.

9 **Annual Governance Statement Action Plan Update**

Peter Farrow, Head of Audit presented the report on progress made in addressing the key improvement areas identified in the 2015/16 Annual Governance Statement action plan. Following a suggestion from the Director of Finance, future updates on the action plan would be RAG (Red, Amber, Green) rated to enable the Committee to more effectively monitor progress being made on the implementation of the actions.

Referring to the 'partnership governance' key improvement area and action for implementation, the Chair asked whether European Regional Development Fund (ERDF) funding was under threat post Brexit and whether there were any other projects or grants linked in with European funding that could similarly be at risk. Mark Taylor, Director of Finance advised that work was being undertaken to establish how much funding within the West Midlands region came from Europe with a view to the West Midlands Combined Authority lobbying Government. ERDF and European funding was a risk so the Council would be keeping it under review. Where EU funded projects were up and running they should not be impacted by Brexit. However, new funding for projects that the Council was on the cusp of bidding for could be.

Cllr Phil Bateman added that the implications of Brexit on ERDF funded projects in progress and others awaiting approval was a big issue for Wolverhampton. He requested an update report on ERDF funded schemes with the City of Wolverhampton and the West Midlands region that could potentially be affected by Brexit. The Director of Finance undertook forward the request to the Head of City Economy, Keren Jones.

Resolved:

1. That the progress made in addressing the key improvements areas identified in the 2015/16 Annual Governance Statement action plan be noted.
2. That the Head of City Economy, Keren Jones be requested to submit to the next meeting a report regarding ERDF schemes with the City of Wolverhampton and the West Midlands region that could potentially be affected by Brexit.

10 **Payment Transparency**

Peter Farrow, Head of Audit updated the Committee with the current position regarding the Council's publication of all its expenditure activity since the last meeting of the Committee in September 2016. Since the last report there had been no requests for information from the public (as an 'armchair auditor').

Resolved:

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

11 **Audit and Risk Committee Knowledge and Skills Framework**

Peter Farrow, Head of Audit reported that the knowledge and skills framework exercise was the second of a three-part process for the Committee to carry out a review of its performance and effectiveness. Prior to the meeting he had received a further completed self-assessment exercise form from a member of the Committee. He undertook to incorporate the survey responses into the overall scores within the exercise and to report back to the Committee if it significantly altered the results. The Head of Audit also reported that it was pleasing to see the Committee members now ranking themselves in the key core areas. He indicated that the survey results were a fair reflection of where he felt the Committee were and that the results showed that the Committee was a strong Committee and compared well with others. He proposed to present the final phase of the assessment to the Committee at its first meeting in the 2017/18 Municipal Year.

The Chair informed the Committee that the results from the knowledge and skills framework exercise would be fed into its future training plan.

Resolved:

That the results of the recent knowledge and skills framework exercise, and the plan to move on to the final stage of the process be noted.

12 **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 3 of Schedule 12A of the Act.

Part 2 - exempt item, closed to press and public

13 **Audit Investigations Update**

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

Helen Winfield, Head of Service, Community Financial Support was also present for this item. She responded to the issue raised at the previous meeting on restrictions placed on the usage of pre-paid card accounts for the payment of Direct Payments in Social Care. The restrictions included usage for gambling. In the main cash withdrawals from the card account were also prohibited as a default and was only made available on an individual basis if the care needs assessment required this. Use of the pre-paid cards was also a much safer payment method than the one previously adopted. It provided better control over the Direct Payment and enabled the Service to detect and deal with any misuse or fraud. Regarding whether there were any data protection issues with the Service being able to access details on the usage of the pre- paid cards, it was reported that since the account was a joint contract between the Council and the individual there were no data protection issues.

Cllr Phil Bateman welcomed the assurance given by the Head of Service that, in terms of the ability to detect fraud, the use of the pre-paid cards was a safer system than the one previously in place.

In response to questions from the Chair, the Client Lead Auditor reported that an audit report had been produced in relation to audit investigation IL153W. The recommendations from the audit work and their implementation would be followed up as a separate piece of work, a report on which would be submitted to the Committee. Regarding audit investigation IL158W, the Client Lead Auditor also reported that the Council's IT section were responsible for the disposal of IT equipment. The computers in question would have been wiped prior to disposal to ensure that no personal data remained on them.

Resolved:

That the update on the audit investigations be noted.

Audit and Risk Committee

13 March 2017

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

Recommendation(s) for action or decision:

The Committee is recommended to undertake an annual review of:

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

1.0 Purpose

- 1.1 The terms of reference for the Audit Committee were last reviewed and approved by the Audit Committee in March 2016, in order to reflect CIPFA's position statement: Audit Committees in Local Authorities. It is recognised best practice that such terms of reference are reviewed annually to ensure they remain fit for purpose.

2.0 Background

- 2.1 Since they were last reviewed in March 2016 no changes have been made.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/26022017/A)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/24022017/B)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

- 10.1 None

Audit and Risk Committee - Terms of Reference

Statement of purpose

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

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

Governance, risk and control

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

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

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

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

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

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

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

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

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

To receive additional assurance reports from the Corporate Assurance team (Insurance and Health & Safety)

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve the risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To support the development of effective communication with the head of internal audit.

External Audit

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

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

Financial reporting

To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.

To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

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Audit and Risk Committee

13 March 2017

Report title	External Audit Plan	
Accountable director	Mark Taylor, Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

1. The Audit Plan 2016/17 from the Council's external auditors, Grant Thornton.

1.0 Purpose

- 1.1 To update members of the committee on the Audit Plan from the Council's external auditors, Grant Thornton, for the year ended 31 March 2017.

2.0 Background

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

3.0 Financial implications

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

Area of work	£
Council Audit	189,428
Grant Certification	19,128
Total	208,556

[CN/02/03/2017/L]

4.0 Legal implications

- 4.1 The legal implications are set out in the audit plan and are in compliance with the Councils' Constitution and all relevant legislation.
[TS/02032017/V]

5.0 Equalities implications

- 5.1 There are no equality implications arising from this report

6.0 Environmental implications

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

7.0 Human resources implications

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

8.0 Corporate landlord implications

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

9.0 Schedule of background papers - none

The Audit Plan for City of Wolverhampton Council

Year ended 31 March 2017

13 March 2017

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

13 March 2016

Dear Members of the Audit & Risk Committee

Audit Plan for City of Wolverhampton Council for the year ending 31 March 2017

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

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

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- give an opinion on the Council's financial statements

- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Mark Stocks

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Highways network asset (HNA)

On the 14 November, 2016 CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

Integration with health sector

'Better Health and Care In the Black Country and West Birmingham' is the theme of the Sustainability and Transformation Plan, which the Council has been invited to contribute to the development of. The Council recognises that it needs to work with its partners to ensure that the interests and views of people in the City of Wolverhampton are represented.

Combined Authority

The Combined Authority came into existence on 17 June 2016. The Council is a member authority and therefore this is a major strategic partnership. There is uncertainty as to the role of the Mayor, due to be elected in May 2017, and any impact that this new leadership role will have.

Key challenges

Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for adult social care.

Financial resilience

The Council has a historic track record of meeting savings targets and delivering balanced budgets. However, the Budget 2016/17 and Medium Term Financial Strategy 2016/17 to 2019/20 approved by Full Council on 2 March 2016, identified that the Council would be faced with funding further budget reduction and income regeneration proposals totalling £54.6 million over the three year period to 2019/20. While a balanced budget has now been set for 2017/18, work continues to address the projected budget deficit in 2018/19 and 2019/20 of £30.4 million.

Key performance indicators

Measure (as at February 2017)	Value £'000
Projected outturn – budget requirement	216,669
Projected outturn – total resources	(217,166)
Projected underspend	497

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

For the 2016/17 financial statements, we are working with the Council's accounts closedown team to achieve a deadline of 31 May 2017 for unaudited accounts, and an audit completion deadline of 31 August 2017, (albeit acknowledging that the accounts themselves will not be approved and signed until the Audit and Risk Committee have met in September). This should stand us in good stead to meet the 2017/18 deadline of 31 July 2018.

Our response

- We will discuss with you your progress in implementing the HNA requirements, highlighting any areas of good practice or concern which we have identified.
- We aim to complete all our substantive audit work of your financial statements by 25 August 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £13,872k (being 1.75% of gross revenue expenditure). In the previous year, we determined materiality to be £13,359k (being 1.75% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £693k.

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

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Related party transactions have to be disclosed if they are material to the Council or to the related party	£20,000
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000 however this may be lower as the concept of related party transactions takes in to account what is material to both the Council and the related party.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

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

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams 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 City of Wolverhampton Council, we have determined 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 • The culture and ethical frameworks of local authorities, including City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for City of Wolverhampton Council.</p>
Management override of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Discussions with management with regard to accounting estimates, judgments and decisions likely to be made in the preparation of the financial statements • Review of journal entry process <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<p>Valuation of property, plant and equipment</p>	<p>The Council has amended the process it applies to revaluations. Previously it revalued its assets on a rolling basis over a five year period, but from 2016/17 onwards it will revalue all assets over £1 million every year, with the remainder being revalued on a cyclical basis or as considered necessary.</p> <p>The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Significant risks identified (continued)

Significant risk	Description	Audit procedures
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 29</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> Documented the processes and controls in place around accounting for operating expenses. We have undertaken walkthrough tests to confirm the operation of the controls <p>Further work planned:</p> <p>We will carry out testing including</p> <ul style="list-style-type: none"> the completeness of the subsidiary system interfaces and control account reconciliations Confirm our understanding of the accruals process and test accruals cut off testing of purchase orders and goods received notes (both before and after year end). <p>Testing will also cover a sample of operating expenses covering the period 1/4/16 to 31/3/17 to ensure they have been accurately accounted for and in the correct period.</p>
<p>Employee remuneration</p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> Documented the processes and controls in place around accounting for operating expenses. We have undertaken walkthrough tests to confirm the operation of the controls <p>Further work planned:</p> <p>We will carry out testing including:</p> <ul style="list-style-type: none"> the completeness of the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements review of monthly trend analysis of total payroll substantive testing of senior officer remuneration

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

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

Other material balances and transactions

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

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

Group audit scope and risk assessment

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

Component[s]	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Wolverhampton Homes Limited	Yes	<ul style="list-style-type: none"> Targeted 	<ul style="list-style-type: none"> Alignment of group accounting policies Adequacy of disclosures within the group financial statements 	<ul style="list-style-type: none"> Review of outcome of audit under International Financial Reporting Standards to be performed by non-GT member firm RSM UK Audit on Wolverhampton Homes Limited financial statements Review of the Council's consolidation of the financial results of the subsidiary into the group accounts

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Key changes within the group:

- We are aware that the Council has a new subsidiary which began trading during the 2016/17 financial year: City of Wolverhampton Housing Company Limited, which trades as WV Living Ltd.
- The Council are in the process of determining the significance of this component to the group
- Once available we will review this conclusion and consider whether our group scope needs to be widened to include this subsidiary. Should our approach change in this regard, we will inform the Audit and Risk Committee.

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of RSM UK Audit will begin with the issue of instructions including guidance on designing procedures and requesting detail of the results of procedures that they have carried out. This will be followed by the review of relevant aspects of the RSM UK Audit findings.

Value for Money

Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

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

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

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Reporting

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

We will include our conclusion in our auditor's report on your financial statements which we will give on 18 September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Medium Term Financial Resilience The Council has historically managed its finances well, achieving financial targets and is on course to achieve its 2016/17 budget. Nevertheless, the scale and pace of change for local government will affect future projections and it is important the Council is on track to identify and produce savings required to deliver balanced budgets in 2018/19 and 2019/20.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the Council's Medium Term Financial Strategy and monthly financial monitoring reports and assess the assumptions used.</p>
<p>Ofsted inspection of children's services We are aware that the Council's children's service is currently the subject of an Ofsted inspection (as at the time of writing). Until such time as Ofsted confirms that adequate arrangements are in place, this could potentially be a significant risk to the Council's arrangements under the Value for Money conclusion.</p>	<p>This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of sound governance, and planning, organising and developing the workforce effectively to deliver strategic priorities.</p>	<p>We will review update reports from Ofsted as they become available and take these into account in forming our conclusion</p>
<p>Combined Authority The Combined Authority came into existence on 17 June 2016. The City of Wolverhampton Council is a constituent authority and therefore this is a major strategic partnership. There is uncertainty as to what the impact of the Mayor will be. The Council's 2015/16 Annual Governance Statement noted that the Council needs to work effectively with its partners including other local authorities and LEPs to ensure that the CA is a success and that it benefits the City of Wolverhampton.</p>	<p>This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>	<p>We will review the arrangements the Council has in place to mitigate the risk of ineffective working relationships and to establish how the Council is identifying, managing and monitoring risks in relation to the Combined Authority.</p>

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Worklessness The Council highlights in its risks register that if the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities. This will impact on high rates of unemployment and the demand on Council services.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making, as well as working with third parties effectively to support the delivery of strategic priorities.</p>	<p>We will review the Council's progress against the risk noted in their risk register in relation to Skills for Work.</p> <p>Through discussion with officers and review of relevant documents we will assess whether actions taken have been and are being effective.</p>
<p>Strategic Asset Management The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets within the Place Directorate in January 2015 the opportunity was being taken to further evaluate many of the management, operational and governance arrangements put in place when the Corporate Landlord model was first established. This process was intended to further embed the Strategic Asset Management function and was intended to ultimately establish a Strategic Asset Management Plan. It was noted in the 2015/16 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.</p>	<p>This links to the Council's arrangements for managing and utilising assets effectively to support the delivery of strategic priorities.</p>	<p>We will review the Council's progress against the risk noted in their 2015/16 Annual Governance Statement in relation to Strategic Asset Management.</p> <p>Through discussion with officers and review of relevant documents we will assess whether these actions have been undertaken and are effective.</p>

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State

We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. We have reviewed reports issued by internal audit for the first 3 quarters of the year. Our work has not identified any issues which we wish to bring to your attention.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Walkthrough testing	We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.

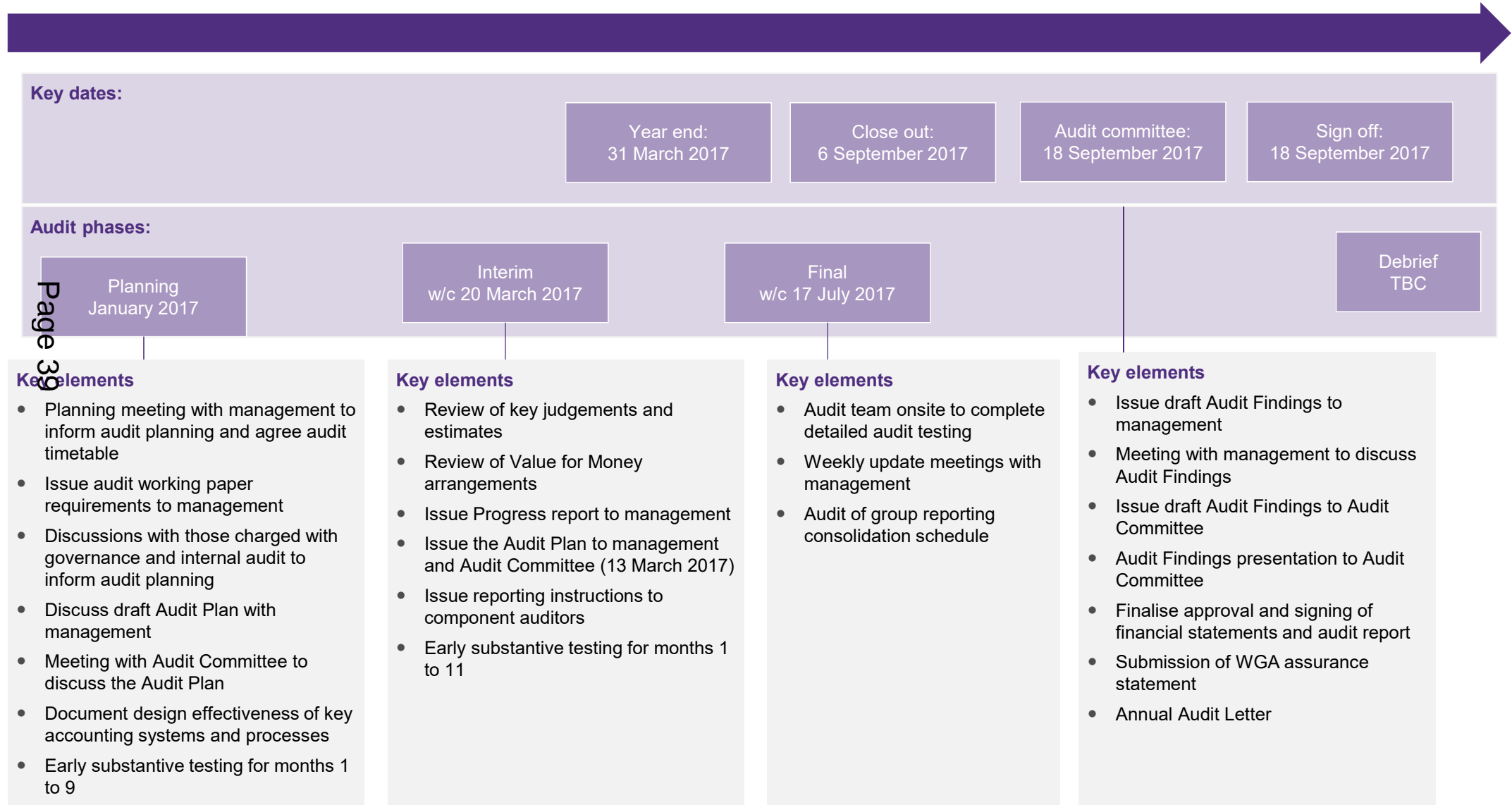
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Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>We are awaiting supporting documentation for some of the journals selected for testing and will select an additional sample of journals to test for months 10 to 12 when we return for our second interim visit in March 2016.</p>
Early substantive testing	<p>We have tested a sample of employee remuneration transactions from months 1 to 10, agreeing them to payslips, recalculating Employer's National Insurance and pension contributions and agreeing the salary to supporting documentation from HR.</p>	<p>No issues have been identified that we wish to highlight for your attention to date.</p> <p>We will test transactions from months 11 and 12 during the audit fieldwork stage during July and August.</p>

The audit cycle

The audit timeline



Audit Fees

Fees 2016/17

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

Our fee assumptions include:

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

Grant certification

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

Fees for other services

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

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates

Independence and non-audit services

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to City of Wolverhampton Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fee for other services

Service	Fees £	Planned outputs
Non-audit related		
Income generation 2016/17	35,000	The output will be a diagnostic which reviews current performance against that of peers, to identify areas for improvement and new opportunities, and to improve policy and governance structures.

The amounts detailed are fees agreed to date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

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

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

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

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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

Appendix 1: Status of 2015/16 Audit Recommendations

The table below records management's responses to the high and medium priority audit recommendations raised in 2015/16. We will follow up to assess the effectiveness of actions taken as part of our audit fieldwork and will report our conclusions to the Audit and Risk Committee in our Audit Findings Report.

Priority

High - Significant effect on control system

Medium - Effect on control system

Rec No	Recommendation	Priority	Management response
1.	We recommend to the Council that a procedure is implemented to ensure that a reconciliation is performed between the payroll system and the general ledger as part of their monthly reconciliation processes.	Medium	<ul style="list-style-type: none"> Dedicated Finance Officer working on this reconciliation Weekly meetings to monitor progress Going forward monthly sign-off of this reconciliation
2.	<p>Where the Council acts as a payroll agent for other organisations. For the West Midlands Pension Fund we recommend that all relevant invoices are raised, such that the Council can recoup the money it has incurred on behalf of the pension fund.</p> <p>Secondly, we recommend the Council discuss with the other organisations an alternative arrangements for paying the employees from the external organisations bank account to avoid having to recharge sums between the two organisations.</p>	Medium	<ul style="list-style-type: none"> Outstanding 2014/15 and 2015/16 Pension Fund invoices raised and paid Pension Fund invoices now raised monthly Further investigation needed on external organisations paying from their own account. Complications regarding shared VAT registration with the PF and other organisations not having their own PAYE reference. EDD: end of Q1 2017/18.
3.	We recommend that the Council investigate the reporting function of its fixed asset register system to solve the issues that have led to the reconciling differences between the register and the general ledger this year.	Medium	<ul style="list-style-type: none"> Differences identified Plan in place to rectify by 31 March 17

Appendix 1: Status of 2015/16 Audit Recommendations (continued)

Rec No.	Recommendation	Priority	Management response
4.	We recommend that the Finance Team seek a greater involvement in the valuation process such that they become the driving force behind what valuations are undertaken and by when.	Medium	<ul style="list-style-type: none"> • Asset Valuation Initiation document shared with Julia Nock and valuer (Bruton Knowles) 19 October 2016 • Previously <ul style="list-style-type: none"> - Assets valued on a rotating basis every 5 years • Now <ul style="list-style-type: none"> - Assets over £1m valued annually - Assets below £1m valued on a rotating basis every 5 years - A review of market conditions annually to determine if any assets below £1m need valuing in the current year
5.	We recommend that the Director of Governance reiterate to all Members the importance of keeping their register of interests up to date, not just as an annual process, but in real time as their interests change during the year.	Medium	<ul style="list-style-type: none"> • Members reminded the importance of keeping the register up to date. • Members able to update the register online via Modern.Gov at any time.

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Audit and Risk Committee

13 March 2017

Report title	Grant Certification Work	
Accountable director	Mark Taylor, Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Chief Accountant
	Tel	01902 550478
	Email	Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

1. The Certification Work Letter from the Council's external auditors, Grant Thornton.

1.0 Purpose

- 1.1 To update members of the committee on the outcome of grant certification work undertaken by the Council's external auditors, Grant Thornton.

2.0 Background

- 2.1 Grant Thornton undertake work to certify the Council's Housing Benefit Subsidy Claim on behalf of the Department for Work and Pensions. The Council has also engaged Grant Thornton to undertake HCA compliance work and to certify the Pooling of Housing Receipts Return. The attached letter provides Audit and Risk Committee with the outcome of this work.

3.0 Financial implications

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

Area of work	£
Housing Benefit Subsidy	19,128
HCA Compliance	2,115
Pooling of Housing Receipts Return	2,000
Total	23,243

[CN/02/03/2017/Y]

4.0 Legal implications

- 4.1 The Certification Letter provides confirmation of the Council's Housing Benefit subsidy. The relevant statutory provisions are set out in the letter.
[TS/02032017/W]

5.0 Equalities implications

- 5.1 There are no equality implications arising from this report

6.0 Environmental implications

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

7.0 Human resources implications

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

8.0 Corporate landlord implications

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

9.0 Schedule of background papers - none



Grant Thornton

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15 February 2017

Dear Mark

Certification work for City of Wolverhampton Council for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by City of Wolverhampton Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to subsidy claimed of £114.4 million. There were no qualifications identified within the 2015/16 financial year. We raised three points in our report. These were classified as observations only, and did not lead to amendments being made to the claim.

The indicative Housing Benefit Subsidy fee for 2015/16 for the Council was based on the final 2013/14 certification fee, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 was £19,128. We have not proposed an alteration to this fee.

In addition, the Council asked us to undertake the HCA Compliance Audit. We agreed a fee for this work of £2,115. We identified no issues with the information uploaded by the Council to the portal. There were a series of follow up queries raised by HCA, which we were able to respond to in discussion with Housing Officers.

The Council also asked us to carry out work on its pooling of housing receipts return in line with the DCLG's Assurance Instruction. We agreed a fee for this work of £2,000. We identified one error in relation to this this work, which had the effect of increasing the allowable debt in quarter 2 by £13k. This was in the Council's favour as it was able to retain £13k more debt than it had originally retained. We certified the return to reflect these

amendments on 9 February 2017. This is after the national certification deadline of 30 November 2016 due to delays experienced in being able to amend the LOGASnet system for the error identified. Council officers were in contact with DCLG throughout the process and therefore all parties were aware of the passed deadline.

Yours sincerely

A handwritten signature in black ink, appearing to be 'M. H.', written in a cursive style.

Grant Thornton UK LLP

Audit and Risk Committee

13 March 2017

Report title	External Audit Communication	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to:

1. Consider the report of the external auditors, Grant Thornton.

1.0 Purpose

- 1.1 To contribute towards the effective two-way communication between auditors and the Council's Audit and Risk Committee, as 'those charges with governance'.

2.0 Background

- 2.1 Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit & Risk Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit & Risk Committee and specify matters that should be communicated.
- 2.2 This two-way communication assists both the auditor and the Audit & Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Risk Committee and supports the Audit & Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 2.3 As part of risk assessment procedures Grant Thornton are required to obtain an understanding of management processes and the Audit & Risk Committee's oversight of the following areas:
- Fraud
 - Laws and Regulations
 - Going Concern
 - Related parties
 - Accounting estimates
- 2.4 This report includes a series of questions on each of these areas and the responses that Grant Thornton have received from the Council's management. The Audit & Risk Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

3.0 Financial implications

- 3.1 There are no specific financial implications arising from this report.
[CN/02/03/2017/T]

4.0 Legal implications

- 4.1 This report and its attachment sets out the legal implications which are in accordance with the Council's Constitution and relevant legislation.
[TS/03032017/F]

5.0 Equalities implications

- 5.1 There are no equality implications arising from this report

6.0 Environmental implications

6.1 There are no environmental implications arising from this report.

7.0 Human resources implications

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

8.0 Corporate landlord implications

8.1 There are no implications for the council's property portfolio arising from this report

9.0 Schedule of background papers - none

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Communication with the Audit & Risk Committee City of Wolverhampton City Council

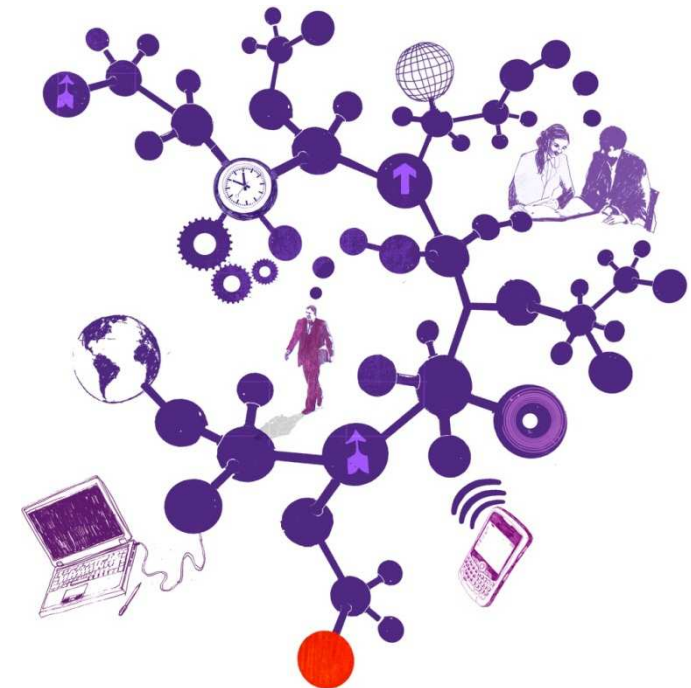
Year ended 31 March 2017

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

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Purpose

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

Background

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

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

Communication

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

- fraud
- laws and regulations
- going concern
- related parties
- accounting estimates

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

Fraud

Issue

Matters in relation to fraud

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

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

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

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

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

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>The collective processes for closedown, budget monitoring and outturn take into consideration the risk of material misstatement due to error or fraud. Senior finance officers meet regularly to consider any issues arising from budget monitoring and the closedown process. Should any fraud be reported as part of this or any other process corrective action would be taken.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>The Council has the following policies and procedures to help raise the awareness of, and combat fraud:</p> <ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy and Procedure • Whistleblowing Policy and Procedure • Anti-Money Laundering Policy and Procedure • Raising Fraud Awareness Guide <p>These documents are reviewed annually by the Audit and Risk Committee, and available on the internet. The internet page on fraud has been improved to help strengthen the ease in which potential fraud can be reported on-line.</p> <p>The Council has a Client Lead Fraud Officer who sits within Audit Services, and is supported by a joint fraud arrangement with a neighbouring authority.</p> <p>A series of raising fraud awareness seminars and fraud surgeries have recently been run across the Council.</p> <p>A Counter Fraud Update report is presented to each meeting of the Audit and Risk Committee detailing how the Council is tackling issues around fraud. This includes a detailed Counter Fraud Plan charting out the actions to be taken going forward, and the Council's Fraud Risk Register.</p> <p>As part of the Annual Internal Audit Plan, Audit Services undertake annual reviews of many of the Council's key financial systems – consideration of fraud forms part of these.</p> <p>The Council also fully participates in the Cabinet Office's National Fraud Initiative, and other national fraud benchmarking exercises, as appropriate.</p>

Fraud risk assessment

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

Fraud risk assessment

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

Fraud risk assessment

Question	Management response
<p>How does the Audit & Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit & Risk Committee?</p>	<p>As above, the Audit and Risk Committee receive a Counter Fraud Update Report, and details of any recent investigations into suspected fraudulent activity at each committee meeting. The committee also reviews and approves all of the Council's Anti-Fraud Policies and Procedures on an annual basis.</p>
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<ul style="list-style-type: none"> • Codes of Conduct • induction training • accountability arrangements signed by all senior officers • contracts – standard exclusions • adherence to procurement procedures • aide memoires from Monitoring Officer around gifts & hospitality policy at key times of the year.
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>As above, there are a number of fraud related policies and procedures that encourage this, and include full contact details – including a confidential hotline. The Council's internet site allows on-line reporting.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>None that we are aware of.</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?</p>	<p>Yes, a report on these goes to each Audit and Risk Committee (copies of the reports can be made available upon request). However, there are none that would be viewed as material.</p>

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Risk Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Risk Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Council has a number of processes in place to prevent and detect non-compliance with law and regulations. Legal briefing papers are circulated on new developments in law quarterly. Where officers have concerns or queries they are able to discuss these with Legal Services. In addition, a number of policies are in place to ensure compliance. These include the Money Laundering Policy and Whistleblowing policy.
How does management gain assurance that all relevant laws and regulations have been complied with?	A number of controls are in place. Management place reliance on the controls detailed above. In addition, there is an annual programme of work from Audit Services which in part covers legal matters. Directors also meet daily at 09.00 to discuss issues of topical concern including any legal matters. SEB also meets weekly for wider briefings across the business.
How is the Audit & Risk Committee provided with assurance that all relevant laws and regulations have been complied with?	The findings and recommendations from the work of Audit Services, with key issues being reported back to the Audit and Risk Committee. Also, each Director is required to sign an annual assurance statement, and this helps inform the Annual Governance Statement that is reported to the Audit and Risk Committee.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016, or earlier with an on-going impact on the 2016/17 financial statements?	None that we are aware of

Impact of laws and regulations

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

Going concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The MTFs in the main provides this assurance, insofar as it demonstrates that the Council is able to deliver services and statutory responsibilities within the projected available resources. Account is, however, also taken of the potential and contingent liabilities that are reported in the statement of accounts, in order to ensure that assets remain sufficient to meet liabilities.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	None that we are aware of.
Are arrangements in place to report the going concern assessment to the Audit & Risk Committee?	Indirectly through the statement of accounts.
Are the financial assumptions (e.g. future levels of income and expenditure) consistent with the Council's Medium Term Financial Strategy and the financial information provided to the Council throughout the year?	During the financial year, Strategic Finance support Budget Managers to conduct regular budget monitoring and to forecast each service's outturn for the year. Throughout this process financial assumptions about the current year and future years are discussed and scrutinised by Budget Managers and Strategic Finance, with quarterly forecast outturn updates provided to the Council's Cabinet (Resources) panel. The Council's Medium Term Financial Strategy is an extension of this budget monitoring and forecasting process; any developments or pressures arising as a result of discussions with Budget Managers during the regular budget monitoring process will be incorporated into the Council's Medium Term Financial Strategy.

Going concern considerations

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

Related parties

Issue

Matters in relation to related parties

For local government bodies the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS24: related party disclosures. The Code identifies the following as related parties:

- subsidiaries;
- associates;
- joint ventures
- an entity that has an interest in the authority that gives it significant influence;
- key management personnel and close family members; and
- pension fund for the benefit of employees

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. I will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related parties assessment

Question	Management response
Who are the Council's related parties?	<p>The Council has a number of related parties which are disclosed in the financial statements.</p> <p>The Council owns three other organisations YOO Recruit Ltd, Wolverhampton Homes Ltd and City of Wolverhampton Housing Company Limited.</p> <p>In addition councillors serve on the boards or governing bodies of various local organisations</p>
What are the controls in place to identify, account for, and disclose, related party transactions and relationships?	<p>Forms re-devised to have prompts including aide-memoire to disclose Directorships</p> <p>Letters to all councillors (or emails as appropriate) to remind them annually to update interests</p> <p>Ability for councillors and officers to now update interests in “real-time” on-line through Modern.gov platform from home or wherever that have internet connectivity, and these are requested to be reviewed and updated on a periodic basis by the Council’s Monitoring Officer.</p>

Accounting estimates

Issue

Matters in relation to Accounting Estimates

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

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

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

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

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

Estimates considerations

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in-year?
Valuation of property plant and equipment	<p>Dwellings- re-valued every 5 years on an existing use-social housing basis by the District Valuer.</p> <p>Other land and buildings including investment properties and surplus assets:</p> <ul style="list-style-type: none"> • over £1m, valued annually at fair value or depreciated replacement cost. • under £1m, valued as part of a 5 year rolling programme at fair value or depreciated replacement cost. <p>For 2016-17 and 2015-16, external valuers have been used whereas in prior years this was carried out using the Council's in-house valuers.</p> <p>Community assets, vehicles, plant and equipment, infrastructure and assets under construction- depreciated historical cost.</p> <p>Intangibles- at amortised cost</p>	<p>The asset revaluations are critically reviewed by the corporate finance team with any significant variances from previous valuations or our expectations queried and discussed with the valuers.</p> <p>In the period between valuations a review is carried out annually based on appropriate indices or changes in market conditions to establish whether there has been any material change in the asset values.</p>	Yes – external valuer	Valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.	No

Estimates considerations

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

Appendix 1: Accounting Estimates

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



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Audit and Risk Committee

13 March 2017

Report title	Strategic Risk Register and Strategic Assurance Map	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	Peter.farrow@wolverhampton.gov.uk
Report has been considered by	Strategic Executive Board	21 February 2017

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The strategic risk register was last presented to the Committee in December 2016. Since this time, we have met with the risk owners to review and update the risks.
- 2.3 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within operational, programme, project or partnership risk registers in line with the Council's corporate risk management framework and strategy.
- 2.4 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at February 2016. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time. It should be noted the scores for risk 1, Looked After Children and risk 7, Safeguarding will be reviewed again following the outcome of the Ofsted inspection.
- 2.5 Appendix C provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown below). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

The three lines of defence model:

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

3.0 Progress, options, discussion

- 3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee requested risk 14 – School Improvement to be called in for the March 2017 meeting. Details regarding this risk are included in the risk register at appendix A.

4.0 Financial implications

- 4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required. [GE/10022017/B]

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/10022017/F]

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

- 10.1 None

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**Appendix A –
Strategic Risk Register
@ February 2017**



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**


Red 22


Amber 1, 3, 4, 7, 8, 9, 14, 15, 21, 22, 23, 24

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


Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment
2 01/14	<p>Skills for Work</p> <p>If the city residents do not have the appropriate skills that employers require then they will be unable to access the jobs and opportunities available resulting in high rates of unemployment and increased demand on Council services.</p> <p>Risk owner: Tim Johnson (Keren Jones)</p> <p>Cabinet Member: Cllr John Reynolds</p>	15 Red	N/A	N/A Transferred to risk 22	N/A	This risk has been reviewed and combined with risk 10 to create risk 22 – Skills for Work and Economic Inclusion.

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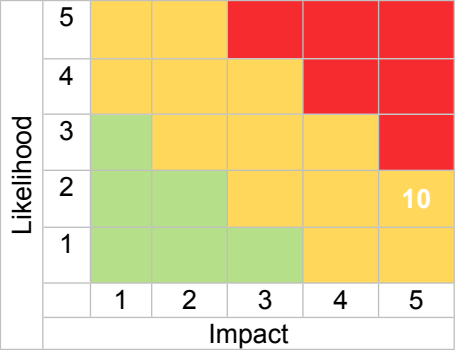
Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment																																											
4 01/14	<p>Medium Term Financial Strategy</p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects then this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson</p> <table border="1" style="margin-top: 10px;"> <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;"></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;">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: #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						3				12		2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	8* Amber On-going	<p>The MTFS 2016/17 to 2019/20 was presented to full Council in March 2016. The report detailed the following matters:</p> <ul style="list-style-type: none"> A balanced budget for 2016/17 which did not necessitate the use of contingency reserves. Savings of £54.6 million which need to be identified for the three-year period from 2017/18 to 2019/20 to address the projected budget deficit. <p>On 19 October 2016 Cabinet approved that:</p> <ul style="list-style-type: none"> Budget reduction and income generation proposals amounting to £13.5 million in 2017/18 proceed to the formal consultation and scrutiny stages of the budget process. That Financial Transaction and Base Budget Revisions totalling a net reduction of £10.0 million in 2017/18 be incorporated into the 2017/18 draft budget. <p>Cabinet also approved a number of changes to items in the MTFS. As a result of the recommendations approved by Cabinet the Council is projected to be able to set a balanced budget for 2017/18.</p> <p>Following the Local Government Finance Settlement and completion of detailed budget work, a final budget report was presented to Cabinet on 22 February 2017 it is noted that:</p> <ul style="list-style-type: none"> The budget is in balance for 2017/18 without the use of general reserves. Further savings of £14.8 million will need to be identified for 2018/19 and another £5.6 million for 2019/20. <p>The Revenue Budget Monitoring 2016/17 report to Cabinet on 6 December 2016 noted that the projected outturn for the General Fund for 2016/17 is on target to achieve a net balanced position. This reflects the delivery of in year budget reduction and income generation targets.</p>
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Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment																																											
7 01/14	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Linda Sanders Cabinet Member: Cllr Val Gibson and Cllr Sandra Samuels</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	5 Amber Following the Ofsted inspection	<p>This risk continues to be overseen by the children's and adult's local safeguarding boards. Since last reported, the following is noted:</p> <ul style="list-style-type: none"> An interim safeguarding board manager was recruited at the start of January 2017 and alongside the current Safeguarding Manager for Adults is responsible for delivering the joint board infrastructure. Both safeguarding boards formally agreed to the establishment of a joint Board Manager role in December 2016. Subject to job evaluation this post will be advertised at the end February 2017, there has been some delay due to the Ofsted inspection. The Deprivation of Liberty Safeguards (DoLs) team has been strengthened and an agreement is in place to commission an external organisation to eliminate the outstanding assessments. According to figures obtained from the regional DoLs forum Wolverhampton's outstanding assessments continue to be the second lowest of nine West Midland regional authorities. The Children's Safeguarding Board continues to oversee the work of the MASH, this area of work will now be included within the safeguarding board's performance dashboard. Regular MASH updates are shared with the safeguarding board by the chair of the Strategic Mash Board. Face to face CSE training is on-going and is starting to produce positive outcomes as the identification of CSE victims continues to rise. A problem profile has now been completed and this will be approved by the SEMT Committee on 7 February 2017. The service continues to drive forward the embedding of the children care home provider's forum and lead on the championing Children Affected by Parental Imprisonment (CAPI) agenda. As a result of serious case review findings and social work activity a multi-agency intergenerational abuse group has been formed to ensure Wolverhampton can demonstrate a preventative approach to these difficult situations. <p>This risk will be reviewed again following the completion of the current Ofsted inspection.</p>
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Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment
10 01/14	<p>Economic Inclusion</p> <p>If the Council and its partners do not work effectively together to promote and enable growth then the risk of economic exclusion will materialise and demand for Council services will continue to increase.</p> <p>Risk owner: Tim Johnson (Keren Jones)</p> <p>Cabinet Member: Cllr John Reynolds</p>	12 Amber	N/A	N/A Transferred to risk 22	N/A	This risk has been reviewed and combined with risk 2 to create risk 22 – Skills for Work and Economic Inclusion.


Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment																																													
21 11/16	<p>Transforming Adult Social Care (TASC) programme</p> <p>If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care Programme then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS.</p> <p>Risk owner: Linda Sanders (David Watts) Cabinet Member: Cllr Sandra Samuels OBE</p> <table border="1" data-bbox="219 826 672 1181"> <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>1</td> <td>2</td> <td>3</td> <td>4</td> <td>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	8 Amber On-going	<p>A programme governance structure exists and is supported by project resources which are in place until the end of the current MTFS period (31 March 2019). Programme highlights have included:</p> <ul style="list-style-type: none"> The successful and safe closures of 3 of the Cities in-house residential care sites resulting in the achievement of £2.3m of savings identified in the MTFS for 2016/17. The join up of the Council's CareLink and Telecare Team to realise a new, more efficient Wolverhampton Telecare Service – which has resulted in a significant increase in take up from residents in the City. This benefit has the potential to lead to longer term cost avoidance as a result of delayed and/or reduced levels of admission to residential/nursing accommodation. Projected delivery of savings for 2016/17 and 2017/18 in line with the Promoting Independence business case – with development and wider rollout of improved local social work approaches also underway. An increase in the use of the home based re-ablement service through more efficient use of the service and reduced lengths of stay. The pilot implementation of a new shared Health/Social Care data system which will enable the organisation to identify trends and pathways through from Health issues to care and support needs – providing improved evidence to inform evidence based commissioning and care planning decisions alongside more intelligent risk stratification. The redesign of the Adult Disability and Mental Health transformation projects into a single 'supporting life choices' initiative'. Key objectives will be to develop improved ways of working, to provide more person centred support outcomes for adults with disabilities, and to deliver more cost effective solutions. Working alongside iMPower to identify key methods of reducing demand in the service – focusing on Improving Hospital Pathways, and the development of a strong, prevention focused community offer.
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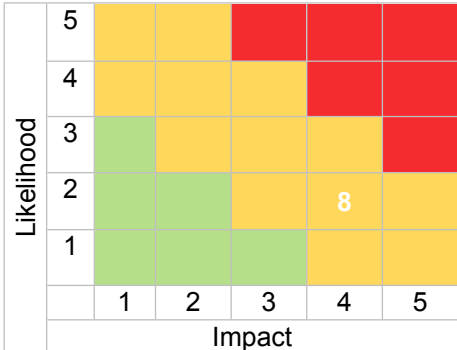

Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment																																												
22 01/17	<p>Skills for Work and Economic Inclusion</p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services.</p> <p>Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>15</td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3					15	2						1							1	2	3	4	5	Impact							N/A	N/A	15 Red	10 Amber	<p>The actions outlined below are all key components of the Skills and Employment Action Plan, the majority of which is due to be completed by 31 March 2017.</p> <ul style="list-style-type: none"> • Work Box has been developed as an information, advice and guidance tool. The Digital Transformation Programme is currently developing the interactive Work Box site. The site will be launched to the public when the interactivity is available during June 2017. In the interim, further content around market sectors is being developed alongside on-going consultation with various stakeholders. • Over 2000 people attended the last Jobs fair on 9 September 2016 at the Molineux. 1500 jobs were available on the day. Royal Mail offered 400 interviews and we estimate that as a result of the jobs fair, 400 local people gained employment. • Cabinet have approved the allocation of resources to a joint Council/DWP project 'Wolves@Work'. The project will provide, work coaches to broker Wolverhampton residents into jobs and employer work coaches who will work with employers to identify work placement, apprenticeship and job opportunities, whilst also supporting the employer and job seeker to sustain employment and progress. Both CWC and employer work coaches are currently being recruited. The wolves@work employer launch was held on 25 January 2017, 29 businesses attended, 20 have signed the 'Wolves@Work pledge and another five are currently being followed up. • The ESF and YEI funded Impact project has engaged with 632 young people not in Employment Education and Training (NEET), 412 have received customised support and 78 have moved into employment, education or training. The project is currently ahead of profile. • The One City Skills conference on 30 November 2016 was very successful. As a result of the event, 15 organisations signed up to be part of the Work Box when it is launched. 100% of delegates responded to say they were satisfied with the event. Conference outcomes will help to shape future developments in the city.
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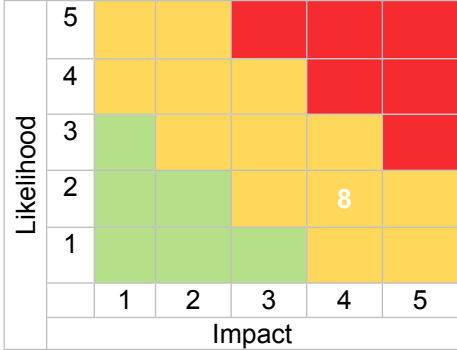

Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment																																													
23 01/17	<p>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Andy Hoare Cabinet Member: Cllr Milkinderpal Jaspal</p>  <table border="1" data-bbox="219 735 672 1086"> <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					N/A	N/A	10 Amber	10 Amber On-going	<p>The level of this risk will vary throughout the course of a year, due mainly to external factors, which may potentially heighten the types and intensity of attacks, the impact those attacks have had on other organisations and the publicity regarding those attacks. It is envisaged that the impact of a cyber-security failure is always going to be '5' and that the likelihood will vary dependant on the factors described above.</p> <p>Maintaining robust, secure and up-to-date technology defences is the first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. Regular independent testing of the cyber security technical defences provides assurance that the defences are appropriate and identifies vulnerabilities that need to be addressed.</p> <p>Information Security and Cyber-Security policies identify the good practices that need to be adopted by the Council. These, along with other HR policies, are regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities.</p> <p>Employee awareness of potential threats and good working practices, through mandatory and associated training continue to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities. Exercises such as the trial use of Metacompliance's MetaPhish software which targeted 200 employees are undertaken in order to identify areas where additional training may be required.</p>
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Risk ref	Risk title and description	Previous score (Dec 2016)	Direction of travel	Current score (Feb 2017)	Target score and date	Comment																																											
24 01/17	<p>Maximising Benefits from West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence</p> <table border="1"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>4</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>3</td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> <td style="background-color: red;"></td> </tr> <tr> <td>2</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow; text-align: center;">6</td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td>1</td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: lightgreen;"></td> <td style="background-color: yellow;"></td> <td style="background-color: yellow;"></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2			6			1							1	2	3	4	5		Impact					N/A	N/A	6 Amber	3 Green On-going	<p>The risk score reflects the measures currently in place to manage this risk which include;</p> <ul style="list-style-type: none"> Monitoring of the objectives set out in the WMCA Strategic Economic Plan (SEP), via the WMCA SEP Board, the WMCA Board and the Black Country Local Enterprise Partnership (LEP), all of which includes representation from both Council members and officers. The WMCA Assurance Framework that sets out how WMCA will monitor and scrutinise the achievement of its objectives and management of risk. As well as detailing the processes that will be put in place to ensure an adequate response if risks or performance are measured as unacceptable. Appointment of a Business Support Manager based at the Council, who will support the Managing Director in his role of WMCA Monitoring Officer and ensure that key information is reported to relevant officers and Members based at the Council. Representation at both member and officer level on key WMCA Boards and Committee's including the WMCA Board, the SEP Board, Audit Risk and Assurance Committee and Overview and Scrutiny Committee. The on-going development of effective working relationships between key Council and WMCA Officers across all directorates. On-going work to improve communication regarding WMCA and its activities across the Council at all levels.
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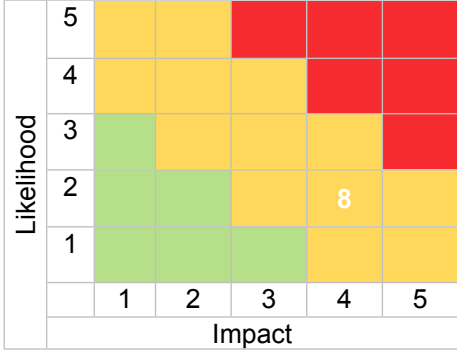

- The following are/were the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.


Risk ref	Risk title and description	Previous score (Nov 2016)	Direction of travel	Current score (Feb 2016)	Target score and date																																																											
1 01/14	<p>Looked After Children (LAC) If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p> <p>Risk owner: Linda Sanders (Emma Bennett) Cabinet Member: Cllr Val Gibson</p> <table border="1"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td>8</td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> <td></td> <td></td> </tr> </table>	Likelihood	5								4								3								2				8				1										1	2	3	4	5					Impact							8 Amber		8 Amber	5 Amber March 2017 (Following Ofsted Inspection)
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Risk ref	Risk title and description	Previous score (Nov 2016)	Direction of travel	Current score (Feb 2016)	Target score and date																																										
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 the provision of the Data Protection Act 1998; compliance with the Freedom of Information Act and Environmental Information Regulations <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal</p>  <table border="1" data-bbox="250 651 705 1002"> <tr> <td></td> <td>5</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>2</td> <td></td> <td></td> <td>8</td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</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						4						3						2			8			1					Likelihood	1	2	3	4	5		Impact					8 Amber		8 Amber	4* Amber On-going
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8 01/14	<p>Business Continuity Management (BCM) Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Paul Sweet</p>  <table border="1" data-bbox="250 491 705 842"> <tr> <td></td> <td>5</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>2</td> <td></td> <td></td> <td>8</td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</td> <td>5</td> <td>4</td> <td>3</td> <td>2</td> <td>1</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						4						3						2			8			1					Likelihood	5	4	3	2	1		1	2	3	4	5		Impact					8 Amber		8 Amber	8* Amber
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9 01/14	<p>City Centre Regeneration</p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> • the attraction of private sector investment • the creation of space to accommodate new businesses and economic growth • the enhancement and creation of visitor attractions • the creation of well paid employment • retention of skilled workers • the creation of residential opportunities • a functioning city centre offer that serves the residents of the City • increased prosperity and • a reduced demand on Council services <p>Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds</p> <table border="1" data-bbox="250 791 705 1145"> <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>8</td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</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			8				1						Likelihood		1	2	3	4	5			Impact					8 Amber		8 Amber	8* Amber
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14** 01/14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Julien Kramer Cabinet Member: Cllr Claire Darke</p>  <table border="1" data-bbox="250 560 705 911"> <tr> <td></td> <td>5</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>2</td> <td></td> <td></td> <td>8</td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</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						4						3						2			8			1					Likelihood	1	2	3	4	5		Impact					5 Amber		8 Amber	5* Amber
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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 major a incident.</p> <p>Risk owner: Linda Sanders (Ros Jervis) Cabinet Member: Cllr Roger Lawrence and Cllr Paul Sweet</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td colspan="4">Impact</td> </tr> </table>	Likelihood	5									4									3									2									1				4						1	2	3	4	5	Impact				4 Amber		4 Amber	4* Amber
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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.

** Further details regarding Risk 14 - School Improvement are included below as this risk was 'called-in' by the Committee at their meeting in December.

- Risk 14 – School Improvement which was ‘called-in’ by the Committee at their last meeting in December 2016.

Risk ref	Risk title and description	Comment																																											
14 01/14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Julien Kramer Cabinet Member: Cllr Claire Darke</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td>5</td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3						2						1					5		1	2	3	4	5		Impact					<p>The risk continues to be managed by the Assistant Director (School Standards). Since last reported, the following is noted:</p> <ul style="list-style-type: none"> • The Wolverhampton School Improvement Strategy was reviewed during September 2016. The Strategy continues to have a positive impact on improvements and Ofsted outcomes. As of January 2017, 85% of the City’s schools were measured at good or outstanding. This is a significant improvement on 65% two years ago. • For maintained schools the School Standards Service continues to categorise schools and provide targeted levels of challenge and intervention dependent upon each school’s category. The programme continues to receive positive feedback, with the impact clearly visible within schools. • The School Standards Service continues to work very closely with the DfE and the Regional Schools Commissioner to monitor standards of education in academies. An annual desktop data analysis is completed in respect of all academies. Where the local authority has concerns about an academies performance it will raise them initially with the school and offer appropriate support. If the offer of support is not accepted, or if the School Standards Service deems it necessary concerns are raised directly with the Secretary of State via the Regional Schools Commissioner. • At end of key-stage 2 in 2016 the City achieved 53% of its pupils attaining the expected level of development for their age in all three subjects (reading, writing and maths), this is in line with the national figure. Wolverhampton’s national position is 79th out of 152 Local Authorities the same position as in 2015. We are joint 1st against our statistical neighbours (Sandwell, Coventry, Nottingham, Walsall, Derby, Birmingham, Peterborough, Southampton, Sheffield and Stoke-on-Trent) and 2nd in the West Midlands region. • A new secondary school accountability system was implemented in 2016. Accountability measures for schools from 2016 are: Attainment 8, Progress 8, Attainment in English and Maths (A*- C), and English Baccalaureate (EBacc) entry and achievement. • Attainment 8 - measures the average achievement of pupils in up to 8 qualifications, 47% of pupils achieved the attainment 8 (A8) standard compared to 48% nationally. Wolverhampton’s national position is 127th out of 152 Local Authorities. We are 5th against our statistical neighbours and 6th in the region. • Progress 8 aims to capture the progress a pupil makes from the end of key stage 2 to the end of key stage 4, Progress 8 is a relative measure; therefore, the national average Progress 8 score for mainstream schools is zero. Average progress for Wolverhampton pupils between Key Stage 2 and Key Stage 4 was -0.14 Wolverhampton’s national position is 114th out of 152 Local Authorities. We are 7th against our statistical neighbours and 4th in the region. • Attainment in Basics Measure measures percentage of pupils achieving A*-C in both English and maths. 58% of pupils achieved an A* - C grade GCSE in both English and maths compared to 59% nationally. Wolverhampton’s national position is 124th out of 152 Local Authorities. We are 4th against our statistical neighbours and 4th in the region.
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This report is PUBLIC [NOT PROTECTIVELY MARKED]

Risk ref	Risk title and description	Comment
		<ul style="list-style-type: none"> • 52% of pupils achieved 5 or more A* - C grade GCSE's including English and maths compared to 53% nationally. Wolverhampton's national position is 123rd out of 152 Local Authorities up on the 2015 position which was 127th (up 4 places nationally). We are joint 4th against our statistical neighbours and 4th in the region. • The EBacc was first introduced into the performance tables in 2009/10. It measures how many pupils get an A*-C or above in core academic subjects at key stage 4. The EBacc is made up of English, maths, science, a language, and history or geography. It should be noted that many of the schools in Wolverhampton do not teach a compliant EBacc curriculum as this does not meet the needs of local young people in the main. 15% of pupils achieved the English Baccalaureate measure compared to 23% nationally. Wolverhampton's national position is 143rd out of 152 Local Authorities. We are joint 6th against our statistical neighbours and 6th in the region.

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Strategic Risk Assurance Map – February 2017

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Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
1	<p>Looked After Children (LAC)</p> <p>If the number of LAC is not reduced this may result in an increase in costs, budget overspends and an increased demand on children's services.</p>	8 Amber	<p>Performance indicator- number of LAC per 10,000 population</p> <p>Audit and Risk Committee review of risk – September 2015</p> <p>Internal audit review 2015/16 – External Placements (substantial assurance)</p> <p>Children's Services Ofsted Inspection January / February 2017</p>	<p>Scrutiny review of Corporate Parenting and Children in Care Council – September 2015</p> <p>Resources panel reviews</p> <p>Update to Children's Trust Board- September 2014</p> <p>Care panel reviews of placement costs</p> <p>Report to Cabinet (Performance Management Panel) September 2014</p> <p>Scrutiny review of LAC February 2014</p>	<p>Children's Services self- assessment December 2015</p> <p>Reports to LAC Budget Monitoring Group (every two months)</p> <p>Controls Assurance Statement</p>	<p>Present sources will continue to provide assurance regarding the changes in number of LAC and progress made against the programme. Assurances through the budgetary process regarding the cost of LAC need to be continually provided to ensure effective management of the budgetary pressures associated with this risk.</p>
3	<p>Information Governance</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 the provision of the Data Protection Act 1998; compliance with the Freedom of Information Act and Environmental Information risk Act <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 2014/15 – Information sharing agreements (Satisfactory assurance)</p> <p>Internal audit review– Protective marking compliance, September 2014 (Limited assurance)</p> <p>Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance)</p> <p>Internal audit review 2016/17 – Information Governance</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Performance reports to Cabinet, Scrutiny Board and SEB</p> <p>Performance indicators reported to Cabinet- Number of data breaches</p> <p>Performance indicator - % of Freedom of Information (FOI) requests met within timescales</p> <p>Performance indicator- % of Subject Access Requests (SAR) met within timescales</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 this risk.</p>
4	<p>Medium Term Financial Strategy</p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy, the effective management of the key MTFS programmes and projects then this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p>	12 Amber	<p>PwC report: Report to those charged with governance (ISA 260) September 2016</p> <p>Independent review of process for MTFS and budget- E Sullivan, May 2014</p> <p>Internal audit review Budgetary Control - 2015/16 (Satisfactory assurance)</p> <p>Internal audit review – 2014/15 Assumptions of the MTFS</p> <p>LGA Finance Peer review- June 2016</p> <p>Audit and Risk Committee review of risk – December 2016</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>Management accounts</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	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
7	<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>	10 Amber	<p>West Midlands Association of Directors of Adult Social Services peer review – Adult safeguarding September 2014</p> <p>West Midlands Association of Directors of Children's Services peer review- children's safeguarding September 2014</p> <p>Internal audit review 2015/16 – Independent Reviewing Officer Service (satisfactory assurance)</p> <p>Internal audit review 2015/16 – Safeguarding in schools (satisfactory assurance)</p> <p>S.11 (Safeguarding self-Assessment) Audit 2016/17</p> <p>Internal audit review 2016/17 – MASH Children's Services Ofsted Inspection January / February 2017</p>	<p>Scrutiny review- Child Sexual Exploitation 2015/16</p> <p>Adults and Safer City Scrutiny Panel Review- Violence against women and girls strategy September 2015</p> <p>Annual reports from adults and children's local safeguarding boards</p> <p>'Our Story' report to Cabinet Member for Children and Families</p> <p>National and local Wolverhampton performance indicators in relation to social care</p> <p>Self- audits confirmation by schools of s175 compliance</p> <p>Annual Reports from: IRO Service, Local Authority Designated Officer, Foster Home Reviewing Officer</p> <p>Safeguarding Adults Board Annual Review – Report to Adult and Safer City Scrutiny Panel 31 January 2017</p>	<p>Children's Services self- assessment December 2015</p> <p>Adults safeguarding self- assessment and action plan – June 2016</p> <p>Quality Assurance Framework and assessments</p> <p>Controls Assurance Statement</p> <p>WSCB Self-Assessment against Ofsted Descriptors</p>	<p>Up to date assurance from Ofsted is required to confirm risk is being effectively managed.</p> <p>In addition, further assurances continue to be sought by the Wolverhampton Safeguarding Children's Board in respect of the adequacy and effectiveness of the safeguarding arrangements in schools.</p>
	<p>Business Continuity Management</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>	8 Amber	<p>Internal audit review 2015/16 – Business continuity and resilience management (satisfactory assurance)</p>	<p>Reports from Wolverhampton Resilience Board to SEB</p>	<p>Incident management: St Alban's Church of England School February 2015</p> <p>Incident management: e.g. industrial action July 2014</p> <p>Incident management: Drug resistance TB June 2016</p> <p>Incident Management: Anchor Lane Chemical Spill September 2016</p> <p>Incident Management: Ettingsall Fire October 2016</p> <p>Reports to Wolverhampton Resilience Board</p> <p>Controls Assurance Statement</p>	<p>The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk.</p> <p>Given the continual reductions in the Council's workforce, ongoing testing will be required to provide assurance over the resilience of the provision of Council services.</p>
9	<p>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"> creation of well paid employment retention of skilled workers sector and economic growth increased prosperity and reduced demand on council services 	8 Amber	<p>Internal audit review 2015/16- City centre development (Satisfactory assurance)</p>	<p>Programme and project risk registers</p> <p>Monthly reporting to the City Centre Regeneration Programme Board</p> <p>Stronger City Economy Scrutiny Panel Review 2016/17 – Regeneration programmes</p>	<p>Reports to Programme Board from project managers</p> <p>Controls Assurance Statement</p>	<p>Regular update reports to the Programme Board and Cabinet continue to provide assurance on the management of this risk.</p>

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
14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p>	8 Amber	<p>Ofsted annual report – Schools 2014/15, December 2015</p> <p>Ofsted inspections 2015/16</p> <p>School internal audit reviews 2013/14 and 2014/15 and 2015/16</p> <p>Internal audit review 2015/16 – School Improvement and Governance Strategy (satisfactory assurance)</p> <p>Audit and Risk Committee review of risk – February 2017</p> <p>Internal audit review 2016/17 – Vulnerable Pupils</p>	<p>Performance indicator – gaps in educational performance</p> <p>Performance indicator – end of key stage outcomes</p> <p>Report to Children and Young People and Families Scrutiny Panel – School Improvement Strategy July 2016</p> <p>Report to Children and Young People and Families Scrutiny Panel - Local Authority School Improvement Inspection Self-Evaluation July 2016</p> <p>Report to Children and Young People and Families Scrutiny Panel- Primary School Organisation strategy July 2015</p> <p>Report to Children and Young People and Families Scrutiny Panel- Academy Partnership Protocol April 2016</p> <p>Report to Children and Young People and Families Scrutiny Panel – Secondary School Sufficiency Strategy April 2016</p> <p>Report to Children and Young People and Families Scrutiny Panel – Improving Our Schools Annual Report 2016 April 2016</p> <p>Audits carried out by School Support Advisors and External Governance reviews</p>	<p>Reports to Cabinet</p> <p>Controls Assurance Statement</p>	<p>The Ofsted inspections and annual report published in December 2016 will continue to be the primary source of assurance for this risk.</p>
15	<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 major a incident.</p>	4 Amber	<p>Follow up of internal audit recommendations, January 2014</p>	<p>Reports to Wolverhampton Resilience Board (WRB)</p> <p>Regular reports from WRB to SEB and C3 Scrutiny Panel</p>	<p>Incident management, e.g. weather incidences 2014, Hickman Avenue fire September 2014</p> <p>Test exercise “Exercise Chillout” August 2014</p> <p>Winter debrief report to WRB – June 2014</p> <p>Controls Assurance Statement</p>	<p>The exercise and testing programme once developed and implemented will provide further assurances on the management of this risk. In the meantime, unplanned incidences and the lessons learned from these exercises continue to provide some level of assurance over this risk.</p>
21	<p>Transforming Adult Social Care (TASC)</p> <p>If the Council does not have robust management and governance arrangements in place for the Transforming Adult Social Care Programme then it may be unable to effectively manage demand and deliver the targets of the significant savings challenge the service needs to make as part of the MTFS.</p>	12 Amber	<p>Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016</p>	<p>Reports to Transforming Adult Social Care (TASC) Board</p> <p>Regular reports from TASC Board to SEB</p> <p>Resources Panel reviews</p> <p>Programme and project risk registers</p> <p>Various TASC KPI's and performance measures</p>	<p>Controls Assurance Statement</p>	<p>Ongoing reviews will continue to provide assurances over the successful delivery of the TASC programme and the achievement of savings targets in the MTFS.</p>

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
22	<p>Skills for Work and Economic Inclusion</p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services.</p>	15 Red	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p> <p>Skills and Employment Board</p> <p>Audit and Risk Committee review of risk – September 2016 and December 2015</p> <p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p> <p>Internal audit review – City of Wolverhampton College- Learners with learning difficulties post 16, December 2014</p> <p>Black Country performance management framework</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>Scrutiny review of “Employability and Skills in Wolverhampton” report to Cabinet 11 March 2015</p> <p>Scrutiny review of “Employability and Skills” September 2014 – January 2015</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>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>	10 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>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 provide the internal audit service for WMCA</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>

Audit and Risk Committee

13 March 2017

Report title	Progress update on the action plan arising from the LGA Finance Peer Review in June 2016	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be considered by	Confident, Capable Council Scrutiny Panel	15 March 2017

Recommendation for action:

The Committee is recommended to:

1. Review the progress on the action plan that arose from the recommendations within the Local Government Association Finance Peer Review final report of June 2016.

1.0 Purpose

1.1 The purpose of this report is to update the Audit and Risk Committee about progress on the action plan arising from the Local Government Association (LGA) Finance Peer Review carried out in June 2016.

2.0 Background

2.1 As part of the process of ensuring we are providing the best service, the City of Wolverhampton Council invited the LGA to carry out a Finance Peer Review on 7, 8 and 9 June 2016. The outcome of the review and the action plan arising from it was discussed at the Confidential, Capable Council Scrutiny Panel on 14 September 2016 and at Audit and Risk Committee on 12 December 2016.

2.2 At that meeting, Audit and Risk Committee requested that an update on progress with the Finance Peer Review action plan be shared with the Committee.

3.0 Progress on the Action Plan

3.1 The following were the Peer Team's key recommendations to the Council:

- Review and refresh the strategic narrative for addressing the budget deficit so there is further clarity on aspirations, ethos and work streams.
- Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council.
- Review the Medium Term Financial Strategy risk on the Strategic Risk Register.
- Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes.
- Make the approach to capital programming more robust.
- Further consider the balance, emphasis and pace between the different components of the financial strategy going forward.

3.2 The action plan arising from these recommendations was approved at Cabinet on September 2016. An update on progress is shown in Appendix A of this report.

3.3 On 9 September 2016 Grant Thornton (the Council's external auditor) carried out a free half day workshop for officers to discuss the outcomes of the final LGA report, provide external challenge to the action plan and consider how the recommendations could be progressed.

4.0 Update on the Development of Capital Monitoring.

4.1 The capital programme reflects the Council's commitment to investment in the City and in transformation. Delivery of the priorities in the capital programme is essential to the delivery

the Council's corporate objectives. The following table shows the percentage outturn against budget over the last 8 years.

	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%	%	%	%
General Fund	74.3	71.1	82.8	84.8	86.7	86.0	87.6	109.6
HRA	80.8	77.1	57.2	86.3	93.8	91.3	100.8	107.6

- 4.2 Outturn position against budgets is only one indication of performance and therefore it is important that financial information is integrated with other project management data to provide a comprehensive picture.

5.0 Development plan

- 5.1 As a result of the recommendations in the LGA Finance Peer Review report a working group has been established to progress the required improvements in systems and processes to support enhanced delivery and monitoring of the capital programme.
- 5.2 The following table details the key actions identified to drive improvement with further detail on the development of Qlik View and Verto to provide enhanced reporting tools.

Development Area	Development activities
Communication	<p>Communication and challenge will be provided through:</p> <ul style="list-style-type: none">• Corporate Review Group• Project Boards• Directorate Leadership Teams <p>The timing of these reviews should be such that the outcome can be fed into the quarterly monitoring reports to Cabinet (Resources) Panel.</p> <p>Communication through SEB and Leadership Teams to make the use of Verto to manage all projects a mandatory requirement. Verto provides the ability to monitor delivery of project objectives and milestones alongside financial profiles and will help to identify inconsistencies between the two.</p> <p>It is recognised that where there are partnership boards in place there may be an ongoing requirement for specific reporting formats.</p>
Use of Verto Project Management Software	<p>All projects to be captured in Verto with budget holders and project managers identified.</p> <p>Agreed standard reporting requirements in Verto will provide a way of identifying changes in the profile of projects and the causes</p> <p>Through the use of Verto and the Qlik application a template for monitoring will be developed to capture the basic requirements. Projects and programmes will be captured in Verto at a level which is appropriate to their value, complexity and sensitivity.</p> <p>A gap analysis has been undertaken to identify projects which need to be added to Verto and work is underway to ensure that Verto is complete by end of March 2017.</p> <p>This will allow Service Directors and Strategic Directors to view all their projects in one place and to monitor compliance against standard reporting requirements.</p>

Use of Qlik View
Software for reporting
financial information

Qlik software is being used to develop a capital programme application.

The first version of the application was launched in January 2017.

Future releases could add the following functionality:

- Visibility of commitments
- Trend analysis
- Forecasts against budgets
- The ability to access Verto data alongside Agresso Financial data.

The development of the Qlik pipeline of projects is overseen by the Future Works Board.

6.0 Next Steps

- 6.1 Work will continue of progressing the Capital Programme monitoring as well as the rest of the action plan. The LGA have been invited back in June 2017 to carry out a short review into progress since their report and to consider progress on the action plan. A further update will be provided after that has taken place.

7.0 Financial implications

- 7.1 The development plans outlined in this report will enable the council to further improve the delivery of the Medium Term Financial Strategy in line with the Corporate Plan.
- 7.2 Development of reporting tools will be delivered within the overall budget for Digital Transformation.
[CN/01032017/N]

8.0 Legal implications

- 8.1 There are no direct legal implications arising from this report.
[TS/01032017/A]

9.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

14 September 2016 Cabinet Report - Outcome of the Local Government Association Finance Peer Review.

14 September 2016 Confident, Capable Scrutiny Panel Report - Outcome of the Local Government Association Finance Peer Review.

LGA Finance Peer Review June 2016
Approved Action Plan – progress as at February 2017

Ref	Recommendation	Detail	Responsibility	Progress as at February 2017
1	Review and refresh the strategic narrative for addressing the budget deficit so there is further clarity on aspirations, ethos and work streams.	The overall strategic aim of managing the financial position while continuing to invest and grow the local economy is logical as a longer term strategy, but there needs to be a clearer articulation of how the medium term plan (including commercialisation, demand management, outcome based service planning) will address the current budget deficit.	Strategic Finance /Claire Nye	<ul style="list-style-type: none"> • Consideration has been given to the narrative used to convey both the medium term and long term strategy. • As a result, the Financial Plan (approved by Council on 9 November) was revised to better reflect the strategic narrative. • The same narrative has been taken through the documentation used for the budget consultation process. • It will be necessary to regularly review the narrative communicated going forward.
2	Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council.	It is timely to take stock and review whether assumptions and modelling can be more ambitious and optimistic - particularly regarding business rate tax base, interest on new borrowing, staff increments, reserves strategy, capital programme and approach to under-spends.	Strategic Finance/ Claire Nye	<ul style="list-style-type: none"> • The MTFS has been reviewed and changes in assumptions were reported to Cabinet in October. • In particular, forecasts have been amended for interest rates and the business rates tax base. • As part of the budget process Cabinet approved the proposal to remove the automatic budget allocation for increments. This was based on the hypothesis that the cost of increments can be offset by reductions in costs due to natural turnover. However, salary budget modelling during the detailed budget process identified that it was not possible to remove the provision of budget for increments. The Final Budget Report to Cabinet on 22 February 2017

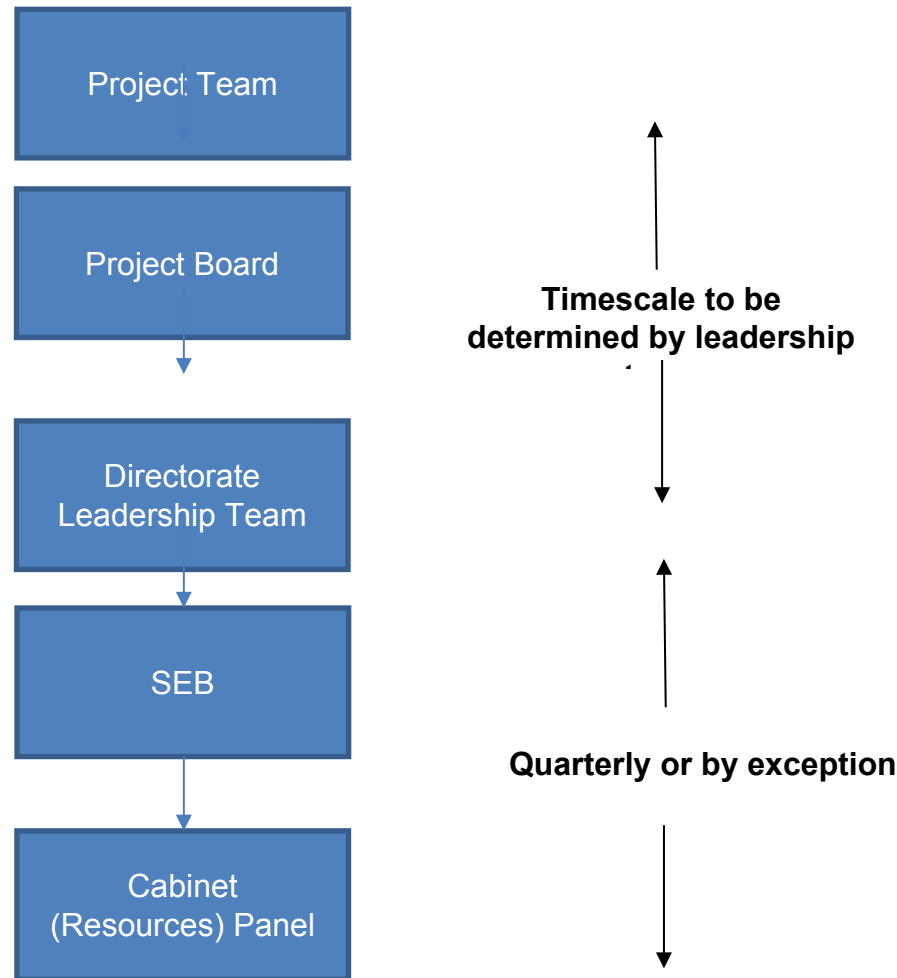
Ref	Recommendation	Detail	Responsibility	Progress as at February 2017
				<p>therefore included provision for increments.</p> <ul style="list-style-type: none"> • A sub group of the Confident, Capable Council Scrutiny Panel undertook a thorough review of the specific reserves during November. The outcome of this review is being fed in to the budget process for 2017/18 and will also be considered as part of the closure of accounts process for 2016/17.
	Review the Medium Term Financial Strategy risk on the Strategic Risk Register.	Currently this appears to be articulated on the basis of the main risk of the council being unable to agree it's medium term financial strategy. The Council may wish to amend the wording so it focusses less on a risk on non-agreement, and more on the risks of delivering the strategy through the various programme, projects, assumptions and projections.	Strategic Finance/ Claire Nye	<ul style="list-style-type: none"> • The Strategic Risk Register has been amended and was reported at the Audit and Risk Committee on 12 December.
4	Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes.	<ul style="list-style-type: none"> • Linking the assets, workforce, external funding and financial strategies. • Integrating financial monitoring information with non-finance performance data and outcomes measurement. 	Strategic Finance/ Claire Nye	<ul style="list-style-type: none"> • Outcome based planning work is now underway and will enable better linkage of resources to Corporate Plan objectives. • The pipeline of work for the digital transformation programme includes further development of Qlik reporting applications for financial data to include links to project management information in Verto. • Further developments will draw on the work outlined below in relation to strategic asset planning and data management.
5	Make the approach	More accurate profiling is likely	Strategic	<ul style="list-style-type: none"> • A working group of appropriate officers has

Ref	Recommendation	Detail	Responsibility	Progress as at February 2017
	to capital programming more robust.	to be required in the future to ensure reliable budgeting and a good basis on which to base decisions about the financial impact and implications of the capital programme, as well as deliver the required outcomes from the capital investment.	Finance/ Claire Nye	<p>been established to drive improvements in capital programme development and monitoring.</p> <ul style="list-style-type: none"> • An Action Plan has been developed. • The development of capital monitoring will maximise the opportunities available through Agresso, Verto and Qlik to ensure budget holders and project managers have appropriate tools to aid decision making and track project delivery.
6	Further consider the balance, emphasis and pace between the different components of the financial strategy going forward.	The Council should ensure it does not overestimate the potential of commercialisation and income generation, or underestimate the potential of digital transformation, and be realistic on the timeframe for reducing demand on Council services.	Strategic Finance/ Claire Nye	<ul style="list-style-type: none"> • Grant Thornton have now completed their work on the Income Generation project and the outcome has been reported to SEB. • Grant Thornton have identified that a large number of income generation projects are already underway. • A small number of new possibilities have been identified but this is not expected to generate significant income. • The Grant Thornton work has shown that there is no large area that the Council is not already looking at. • The Demand Project began in October and is yet to report back

Strategic Outcomes as a result of external challenge	Progress as at February 2017
<p>The importance of using intelligence to redesign and redefine the asset base – to improve the capital programme approach.</p>	<ul style="list-style-type: none"> • A plan of work packages has been developed. • The work packages will collectively deliver the following outcomes: <ul style="list-style-type: none"> ➤ Development and implementation of a Strategic Asset Plan; ➤ Development of a Disposals and Acquisitions Strategy; ➤ Have complete and accurate asset information enabling performance reporting; ➤ Share asset data and identify co-location opportunities with other partners, e.g. One Public Estate; ➤ Maximise the income generation on the commercial portfolio; ➤ Provision of a seamless and customer focused service to clients occupying CWC’s Investment Portfolio (e.g. i10 and i11) ➤ Provision of technical advice and support to enable Community Associations to be sustainable and Community Asset Transfers to be successful.
<p>The importance of a 2020 linked wider service and financial plan.</p>	<p>A City Wide Financial Strategy Working Group with Councillors has been established and met in November.</p> <p>Work has been carried out in approximating the total income and expenditure in Wolverhampton, to establish where tax is raised and where it is spent. This data has been further analysed to present the city-wide budget for Wolverhampton.</p> <p>Next steps</p> <ul style="list-style-type: none"> • To engage with the City Board to further develop the city-budget and commence phase 2 work to develop a city-wide Financial Strategy which underpins Vision 2030 and existing economic plans. • To update the figures when the new data is released by the Black Country Economic Intelligence Unit in December 2016 and share the city budget with partners in a ‘glossy’ document.

Monitoring of the capital programme

- Each line in the capital programme to be linked to an appropriate Board/Leadership Team.
- All projects to be entered into Verto at an appropriate level.
- Highlight report / dashboard to be fed through project boards to Leadership Teams and then to SEB as appropriate.



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Audit and Risk Committee

13 March 2017

Report title Internal Audit Update – Quarter 3

Accountable director Mark Taylor, Finance

Accountable employee(s) Peter Farrow Head of Audit
Tel 01902 554460
Email peter.farrow@wolverhampton.gov.uk

Report to be/has been considered by Not applicable

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2016/17 audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report as at 31 December 2016 (quarter three) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/26022017/K)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/24022017/A)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None



Internal Audit Update Quarter 3



**Stronger
Economy**



**Stronger
Communities**



**Stronger
Organisation**

1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2016/17 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

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

Opinion	2016/17 (@ Q3)	2015/16	2014/15
Substantial	19	13	7
Satisfactory	10	35	29
Limited	8	14	12

2 Summary of audit reviews completed

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Previously reported:							
Phoenix Nursery School	Medium	-	-	1	1	1	Substantial
St Thomas' CE Primary School	Medium	-	-	2	2	2	Substantial
Holy Trinity Catholic Primary School	Medium	-	-	2	2	2	Substantial
Castlecroft Primary School	Medium	-	-	2	2	2	Substantial
St Michael's CE Aided Primary School	Medium	-	-	4	4	4	Substantial
The Braybrook Centre	Medium	-	-	4	4	4	Substantial
The Orchard Centre	Medium	-	-	2	2	2	Substantial
Midpoint Centre	Medium	-	-	4	4	4	Substantial
Fleet Management Accounts Payable Process	Medium	-	1	5	6	6	Substantial
FutureSpace Governance Assurance 2016/17	High	-	-	3	3	3	Substantial
2016/17 Annual Certification of Senior Officers Remuneration and Officers earning over £50K	N/A*	-	-	-	-	-	N/A*
Tettenhall Wood Special School	Medium	-	2	1	3	3	Satisfactory
Wilkinson Primary School	Medium	-	3	2	5	5	Satisfactory
Bilston CE Primary School	Medium	-	1	4	5	5	Satisfactory
Christ Church CE Junior School	Medium	-	-	3	3	3	Substantial
Mayoral Hospitality	Medium	-	-	2	2	2	Substantial
Schools Compliance - Collective Agreement	Medium	-	3	2	5	5	Satisfactory

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Agresso Upgrade – Human Resources	Medium	-	3	-	3	3	Satisfactory
Agresso Upgrade – Income Manager	Medium	-	-	-	-	-	Substantial
Agresso Upgrade – P2P (Creditors)	Medium	-	-	-	-	-	Substantial
Agresso Upgrade – S2C (Debtors)	Medium	-	-	-	-	-	Substantial
Agresso Upgrade – Project Costing Billing	Medium	-	-	-	-	-	Substantial
Treasury Management	Medium	-	-	1	1	1	Substantial

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

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

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

Equal Pay

A member of the audit team is embedded in the project to provide advice on project governance and 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

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

Digital Transformation Programme (DTP)

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

Corporate Projects/Programmes

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

Pay Strategy

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

Counter Fraud Activities

We continue to investigate all allegations of suspected fraudulent activity, during the year. Details of these have will be presented to the Audit and Risk Committee in a separate report, along with details of initiatives put in place in order to both raise awareness of, and tackle fraud across the Council.

4 *Audit reviews underway*

There were a number of other reviews underway as at 31 December 2016 and these will be reported upon in later update reports.

5 *Any key issues arising from our work completed in Quarter 3*

There were a number of limited reports issued during quarter three details of which are provided below:

Woodfield Infant and Junior School

A review of the key financial controls at Woodfield Infant and Junior School was undertaken covering governance, protection of people, assets and data, expenditure and income. A limited audit assurance rating was given to both schools due to the significant number of weaknesses identified in the areas reviewed including Single Central Record administration, substantial school meals arrears and the lack of authorisation of expenditure. The Governing Body and the a nearby Junior School Head Teacher who were supporting the schools accepted all of our recommendations and action plans had been agreed.

Oxley Primary School

A review was requested by the Interim Executive Board regarding the key financial controls in operation at the school as well as review of specific issues i.e. recruitment, use of loans and surplus budget. A limited audit assurance rating was given due to the significant number of weaknesses identified including Safer Recruitment compliance and processes, Single Central Record administration, and authorisation and control of expenditure. All recommendations were accepted and an action plan agreed by the Interim Executive Board. A follow-up review has been undertaken in January 2017 at the request of the Interim Executive Board prior to Academy conversion. Whilst some recommendations required further action, progress was being made with their implementation.

Volunteer Drivers

The objective of our review was to ensure that risks regarding the safety of children were appropriately managed and adequate controls were in place to validate mileage claims for volunteer drivers used by the Council. We found that there was a need to improve management arrangements regarding the allocation of journeys, verification and payment of claims, the training of volunteers and in the use of personal information. All of our recommendations were accepted and an action plan has been agreed.

Payroll Contribution Statements for the West Midlands Pension Fund (WMPF)

The purpose of this review was to ensure that information sent from the Council's payroll system to the West Midland Pension Fund was both timely and accurate. A previous review of this area identified issues which had resulted in employee contribution statements being submitted late to the fund. Our latest review found that the recommendations made at that time had not yet been fully implemented. We are currently working with the Head of the Hub in order to help streamline the processes and improve the system reports.

Allocation of the Dedicated Schools Grant

This audit was requested by the Chief Accountant due to issues around the administration of the Dedicated Schools Grant (DSG) for Terrific Twos (child care provision). An allocation of revenue funding was earmarked for a series of capital projects in 2014/15. However, this was not correctly accounted for in the main accounting system and was further compounded by the migration of accounting transactions from the legacy mainframe system to the Agresso main accounting system. This resulted in further additional funding having to be identified in order to meet the commitments of approved capital projects in the following year.

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. Reference is also made to previous recommendations in the above paragraph on Payroll Contribution Statements for the West Midlands Pension Fund.

We have recently received an encouraging update following our limited assurance report on the Black Country GOLD programme and this will be followed up in the next financial year.

6 Changes to the Audit Plan

Audit Area	Audits on the Original Plan	New Audits added up to Quarter 3	Audits changed from the plan up to Quarter 3	Revised number of audits as at Quarter 3
Corporate	19	7	6	20
KFS & Grant Certs	16	1	3	14
People	7	0	1	6
Education	24	3	0	27
Place	14	2	2	14
Housing	3	0	1	2
Total	83	13	13	83

The audit plan is re-profiled throughout the year as and when the risk profile of the Council changes, and in order to react to emerging issues and specific management requests. The following changes have taken place in the current year:

Corporate

Medium Term Financial Strategy	Assurance was obtained through the LGA Finance Peer Review.
Combined Authority/Devolution Deal	Assurance is provided through the key Council Officer presence at the Combined Authority.
Review of Strategic Finance processes	A task group had been established to review this area.
Integration of Wolverhampton Homes Support Services	The integration has been completed and was successful.
C3 Benefits Realisation	This audit has been deferred due to there being a restructure of the programmes management.
Migration of the Family Group into the Customer Contact Centre	This audit has been deferred due to a change of date for integrating the service.

The above changes also enabled us to accommodate a range of additional reviews undertaken in order to provide details of, and assurance on the Agresso upgrade.

<ul style="list-style-type: none"> • TR17 Teachers Pensions Return 	There was no longer a requirement for Internal Audit to provide a sign-off, in respect of these three areas.
<ul style="list-style-type: none"> • DCLG Building Foundations Grant 	
<ul style="list-style-type: none"> • ITA Assurance 	
Financial and Performance Controls	Included at the request of a previous Head of Service, (now left the council) not seen as a priority for new management. Additional work undertaken on commissioning issues.
Northern Corridor Growth Programme	This audit has been incorporated into a wider review in 2017/18 of the governance and reporting arrangements at programme and project level for the key strategic programme boards in operation within City Economy.
European Regional Development Fund/European Social Fund Funded Projects	This audit has been deferred at the request of the Service Director and will specifically review compliance with the accountable body role and the supporting operational management arrangements in place for the two ERDF funded projects (Black Country Transformational GOLD Project and Advice, Investment and Marking Project (AIM)).
Tenancy Management Organisations - Allocations Policy	This audit has been deferred in order to be undertaken alongside the TMO Governance Arrangements audit planned for 2017/18.

Key issues from the additional work undertaken

Younger Adults Commissioning Team Contracts

We were asked to undertake an independent review of the management of contracts by the Younger Adults Commissioning Team. We identified issues with the management and monitoring of contract renewals and extensions and that Legal Services had not always been consulted regarding contract conditions. We made a limited number of recommendations and the new Commissioning structure has addressed these, and going forward will result in a consistent approach to Commissioning.

Procurement - Public Health

An online system (Pharm Outcomes) was introduced within Public Health to process the payment of prescriptions to pharmacies electronically. We reviewed the proposed arrangements in order to ensure that appropriate procedures had been introduced.

Loan Payment

We were asked to review a loan of £6,000 made from Council funds to a care home, in order to assist them with their cash-flow. The payment was authorised by the then Head of Commissioning. However, in accordance with the Constitution, employees are not authorised to lend funds or enter into a credit arrangement without the prior approval of the Section 151 Officer. Recommendations regarding the issues raised, including the development of a formal protocol to deal with care providers facing financial difficulties were agreed with management.

Edward the Elder Primary School Recruitment

Prior to conversion to an Academy, the School Improvement Service requested an audit review of the recruitment processes undertaken for a number of employees and the shared service arrangements for ICT and the Education Psychologist and Clerking Services. We found a number of non-compliances and the subsequent recommendations were accepted by the school.



Audit and Risk Committee

13 March 2017

Report title	Internal Audit Plan - 2017/18	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review and approve the risk based internal audit plan for 2017/18.

1.0 Purpose

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

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

2.0 Background

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. The audit plan detailed will be implemented using current budgeted internal audit resources. (GE/27022017/I)

5.0 Legal implications

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

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

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Internal Audit Plan 2017/18



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*A quick guide to the audit and assurance planning process***Step 1- Audit universe/auditable areas**

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

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

**Step 2 – Ranking**

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

**Step 3 – Three year cycle**

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

**Step 4 - Next Years Plan**

List the themes and where appropriate the types of work that will be undertaken in 2017/18 in the internal audit plan.

A glossary of terms

Definition of internal auditing

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

Governance

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

Control environment

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

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

System of internal control

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

Risk Management

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

Risk based audit and assurance reviews

A review that:

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

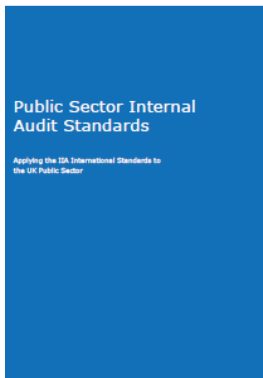
Audit and Risk Committee

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

Assurance

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

Internal Audit standards



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

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

Introduction

- The purpose of internal audit is to provide the Managing Director, Section 151 Officer and Audit and Risk Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, we are required to review on a cyclical basis, the operation of the internal control systems and take into account the risk management and governance arrangement. It should be noted that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Council has an Internal Audit Charter which was approved by the Audit and Risk Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter, and helps determine how the internal audit service will be developed.

Assessing the effectiveness of risk management and governance

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

Assessing the effectiveness of the system of control

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

- These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk assessment elements, at a high level. The programme of work developed as the outcome of the assessment of assurance need exercise will cover the system level control activities.
- The plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.
- We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
- We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2017/18 financial year and is detailed at the end of this document.

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

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- We have undertaken our assessment using the following process:
 - We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives and if assurance could be obtained through other routes.
- The following are the Council's key priorities:
 - Stronger Organisation
 - Stronger Communities
 - Stronger Economy
- Supported by:
 - A Confident, Capable Council
- The Council has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:
 - Looked After Children
 - Skills for Work and Economic Inclusion
 - City Centre Regeneration
 - Information Governance
 - Medium Term Financial Strategy
 - Safeguarding
 - Transforming Adult Social Care
 - Maximising Benefits from the WMCA
 - Cyber Security
 - Business Continuity Management
 - Emergency Planning
 - School Improvement

Identifying the "audit universe"

- In order to undertake the assessment of assurance need, it is first necessary to define t

- the audit universe for the Council. This describes all the systems, functions, operations and activities undertaken by the Council. Given that the key risk to the Council is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Council, as identified above, and the management objectives also above. These auditable areas include the control processes put in place to address the key risks.
- In addition to this, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Assessing the risk of auditable areas within the assurance framework

- Risk is defined as “The threat that an event or action will adversely affect an organisation’s ability to achieve its business objectives and execute its strategies.”
Source: Economist Intelligence Unit - Executive Briefing.
- There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:
 - Materiality
 - Business impact
 - Audit experience
 - Risk
 - Potential for fraud
- In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management’s risk priorities, as set out in the Council’s own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.
- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are again keeping the audit plan open, and, where appropriate, the plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.
- Auditor’s judgement will be applied in assessing the number of days required for each audit identified in the plan.

- The assessment of assurance need's purpose is to:
 - determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work.
- This exercise builds on and supersedes previous internal audit plans.
- Included within the plan, in addition to audit days for field assignments are:
 - a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and the Audit and Risk Committee etc.

Considerations required of the Audit and Risk Committee and the Council's Senior Management Team

- Are the objectives and key risks identified consistent with those recognised by the Council?
- Does the plan include all the themes which would be expected to be subject to internal audit?
- Are the risk scores applied to the plan reasonable and reflect the Council?
- Does the plan cover the key risks as they are recognised?

- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

How the internal audit service will be delivered

Staffing

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



Resources required

It is estimated that approximately 1,320 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by the Public Sector Internal Audit Standards.

Audit Service's External Clients

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

	<p>The City of Wolverhampton Council's Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Where appropriate, separate internal audit plans are produced for each of these, and Audit Services reports back to each of their respective Audit Committees or equivalent:</p> <ul style="list-style-type: none"> • West Midlands Combined Authority • West Midlands Pension Fund • Wolverhampton Homes • WV Living • WV Active • YOO Recruitment • Central Learning Partnership Trust
	
 <p>Wolverhampton Homes</p>	
	
	
	
	

The internal audit plan 2017/18

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

Auditable Area	Purpose
Assurance mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will play a key part in informing the Annual Governance Statement.
National fraud initiative	In accordance with Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
Fraud investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter fraud activities	A series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries.
Value for money reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money advice and or/reviews.
Payment transparency	An ongoing review of compliance with the government's data transparency publishing requirements.
Recommendation follow up	The follow up of key internal audit recommendations made across the Council in 2016/17
Development and advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2017/18.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings.
Audit and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee, and providing advice and training to committee members as and when required.



Confident, Capable Council Stronger Organisation

Corporate Services Risks

Information Governance Medium Term Financial Strategy Cyber Security Maximising Benefits from the WMCA

Auditable area	Purpose	Rating
Finance		
Key Financial Systems	A review of the high-level financial system controls and other key processes as agreed with the Council's External Auditors, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Capital Expenditure, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.	High
Certifications	A review of grants and other certifications where Internal Audit assurance is required.	High
Equal Pay	On-going advice and consultancy with regards to the Council's equal pay liabilities, particularly around current and new claims.	Medium
Valuation of the Council's Highways Assets	A review of the systems and procedures in place for capturing the valuation of the Council's highway assets. To ensure these comply with CIPFA's guidance.	Medium
ICTS Strategic Planning	A review of ICTS strategies to ensure the Council is future proof in terms of keeping up to date with new technological developments.	Medium
Customer Services Benefits Realisation	A review of the systems and processes in place for monitoring/measuring the benefits realised from the Customer Services Transformation Programme.	Medium

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Payroll Overpayments	A review of payroll overpayments. This will focus on the arrangements in place to prevent significant overpayments being made and will also examine how any overpayments that are made, are identified and recovered.	Medium
Digital Transformation Programme	To provide on-going and real time assurance over the lifecycle of the programme.	Medium
Corporate Business Support		
Civic Centre Building Evacuation	A review of the current procedures and plans for the evacuation of the Civic Centre.	Medium
Corporate Projects/Programmes	To provide advice and consultancy around the centralisation of project management functions and approaches applied across the Council.	Medium
WV Active		
Banking arrangements and E-returns	A review of the banking, reconciliation and coding procedures at each of the WV Active sites.	Medium
Governance		
Markets - Rents strategy and collection arrangements	A review of the commerciality of markets rents and a review of the collection and banking arrangements.	Medium
Human Resources Operational Efficiencies	A review of the human resources operational procedures in order to ensure that there is no duplication between the duties performed by the Human Resources advisory function and the duties performed by the Hub.	Medium
Human Resources - Policy Management	A review of the procedures and controls over the management of the Council's Human Resources policies.	Medium
Management of IR35 and monitoring of Interim Appointments	A high-level review of the Council's strategy for managing the risks arising from IR35. The review will also focus on the management and control of interim officers to ensure outputs are set and effectively monitored.	Medium

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Education Risks

School Improvement

Auditable area	Purpose	Rating
Post 16 provision in schools	A review of post 16 provision in maintained schools.	High
Early Years	A review of external provision for early years.	Medium
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary and special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium



People

Stronger Communities

People Risks

Looked after Children

Safeguarding

Transforming Adult Social Care

Business Continuity Management

Emergency Planning

Auditable area	Purpose	Rating
Adult Social Care		
Financial Decision Making Processes	An end to end wide scale systems review of the key controls and evidence to support financial decisions within the service.	High
Adult Social Care	A targeted review of projects within the TASC programme.	Medium
Children and Young People		
Looked After Children	Payment Arrangements - a review of the controls around the payment of allowances to foster and adoptive carers.	High
Post OFSTED Reviews	To target any area identified by the findings of the 2017 Ofsted review.	High
Public Health		
Use of Pharmacy outcomes	A review of the new electronic system for the payment of prescriptions to pharmacies.	High
Freedom of Information Requests	To provide assurance that requests for information received under the freedom of information legislation are processed in accordance with statute and corporate guidance.	High

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Walking for Health

A review of the use of volunteers for the delivery of the Walking for Health scheme.

Medium



Place

Stronger Economy

Place Risks

Skills for Work and Economic Inclusion

City Centre Regeneration

Auditable area	Purpose	Rating
City Economy		
European Regional Development Fund Projects (Black Country Transformational GOLD Project and Advice, Investment and Marketing Project)	A review of compliance with the accountable body role and supporting operational management arrangements for the two ERDF funded projects, including compliance checks of partner organisations involved in project / output delivery.	High
City Economy Strategic Programme Boards	A high-level review of the governance and reporting arrangements at programme and project level for the key strategic programme boards in operation.	High
Strategic Stakeholder Relationship Management	A high-level review of stakeholder relationship management including strategy, stakeholder mapping, assessment, monitoring and management.	High
Corporate Landlord		
Corporate Landlord Service Delivery Model	An external review has been commissioned of the implementation of the Corporate Landlord delivery model. Where appropriate we will take assurance from this review and use the outcomes / improvement plans to determine an in-year audit review.	High
Carbon Reduction Credits Scheme	An annual assurance review and certification in accordance with the CRC Scheme requirements.	

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Catering and Cleaning Services	An external review has been commissioned regarding opportunities and options available for future service delivery for Schools and Corporate Catering and Cleaning Services. Similarly, where appropriate we will take assurance from this review and use the outcomes / improvement plans to determine an in-year audit review.	Medium
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City Environment

Street Cleansing	A high-level output based review of the Street Cleansing service delivery focusing on policy objectives and alignment to corporate objectives, the activities required to achieve the objectives and the use of output or performance indicators to measure the effectiveness of the policies / objectives.	Medium
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Income Management Arrangements	A review of the income management arrangements for key City Environment services such as Parking and Bereavement Services, including identification, collection, reconciliation, monitoring and reporting for sources of income.	Medium
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Transport Grant Certifications	An annual assurance review and certification in accordance with the respective grant letters.	
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Housing

Auditable area	Purpose	Rating
Tenant Management Organisations – Allocations Policy	A health check of the lettings processes in place within Tenant Management Organisations in order to ensure compliance with the Council's Allocation Policy.	High
Tenant Management Organisations – Governance Arrangements	A review of the governance arrangements in operation within Tenant Management Organisations in order to ensure compliance with the management agreement	High

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

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.
- 2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Department for Communities and Local Government.

3.0 Progress, options, discussion, etc.

- 3.1 At the last meeting of the Audit and Risk Committee in December 2016, 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/26022017/A)

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. (TS2402017/C)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

- 10.1 None.

Audit Services Counter Fraud Report @ January 2017



1 *Introduction*

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

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

2 *The Counter Fraud Unit*

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

3 *Counter Fraud Update*

Counter Fraud Plan

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

4 *National Anti-Fraud Network Intelligence Notifications*

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Since November 2016 there have been seventeen alerts issued by NAFN, and none impacted on suppliers used by the Council. Seven of the alerts related to schools, of which five referred to fraudulent payments and two to phishing exercises. The alerts were published on the Headteacher's weekly bulletin 'CloudW', an example of one of the alerts is included below. A further five alerts were referred to the Council's ICT, of these two related to phishing exercises and three to ransomware.

National Fraud Intelligence Bureau Fraud Alert

The National Fraud Intelligence Bureau (NFIB) regularly issue alerts and information on recent fraud attempts. By raising awareness of these fraud threats we can reduce and prevent fraud and economic crime. The following may impact on schools.

Phishing Campaign and Ransomware

Fraudsters are calling education establishments claiming to be from the Department of Education and asking for personal contact details for the head teacher and the financial administrators with the potential aim of sending communications containing ransomware.

[Click here for more information.](#)

National Fraud Initiative

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified, the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems. The last NFI exercise commenced January 2015 and the final outcomes are shown below and as can be seen there are no changes from the last update.

Description	Previous value (£)	Current value (£)
Housing benefit claimants to student loans	82,720	82,720
Housing benefits claimants to pensions	8,420	8,420
Housing benefits claimants to in country immigration	42,224	42,224
Housing benefits claims to internal housing benefits claims	7,038	7,038
Housing benefits claims to external housing benefits claims	21,272	21,272
Pensions / Pension Gratuity to DWP Deceased	58,811	58,811
Waiting list to housing tenants	18,000	18,000
Waiting list to housing benefit claimants	23,000	23,000
Housing benefit claimants to council tax reduction	208	208
Council tax to electoral register	579	579
Total	262,272	262,272

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

**Rising 18's are young people who have had the date that they become 18 years of age recorded on the Electoral Registration system. Once a person reaches 18 years of age, subject to certain exemptions, a household may no longer be eligible to receive single person discount.*

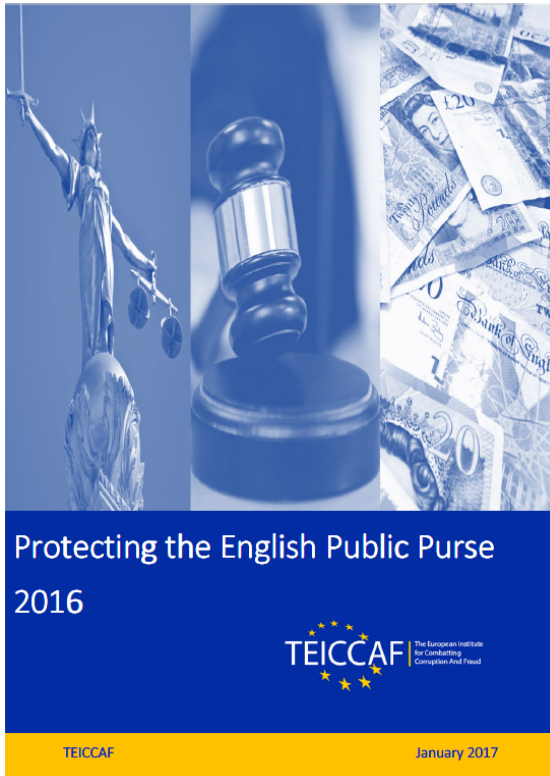
New Single Person Discount Data Matching Exercise

During July 2016, the Council received the results of the latest Council Tax data match to the updated Electoral Register. For this exercise a new approach to investigating the matches was adopted. After initially filtering by the Council the remaining matches were sent to a credit reference agency to further validate whether there is evidence that more than one eligible person is living at a property. This resulted in 1256 accounts being identified as having a high probability that more than one person is resident. Residents at these properties were contacted and to date 258 discount have been removed.

National Fraud Initiative Exercise 2016/17

At the end of January 2017, the results from the latest NFI data matching exercise, completed by the Cabinet Office, were released to the council. A total of 12,222 matches were released of which the Cabinet Office identified 3,718 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. The council has commenced the examination of the matches and details of the progress made will be brought before the Committee as it becomes known

Protecting the English Public Purse 2016



In January 2017, The European Institute for Combatting Corruption and Fraud (TEICCAF) published its latest annual Protecting the English Public Purse report. The report summarises the findings from a survey of frauds committed against local government bodies. The number of fraud cases investigated nationally is reported to be 102,000, with a value of £212 million. It was confirmed that the key areas of fraud identified in the Protecting the English Public Purse 2016 had already been included in the Councils Fraud Risk Register.

A copy of the full Protecting the English Public Purse report is available from the TEICCAF website.

Cabinet Office – National Fraud Initiative Report 2016

During November 2016, the Cabinet Office published its first report, which identified progress made with the National Fraud Initiative (NFI), since taking responsibility for the exercise in 2015.

At the last Audit Committee meeting in December 2016 clarification was requested regarding the reasons for the significant difference in the levels of fraud identified between the participating countries. Northern Ireland, Scotland and Wales identified a total of £24 million while in England £198m was identified.

It confirmed that in the total number of participating bodies in Northern Ireland, Scotland and Wales was less than 250 while in England there was over 1000 participating bodies.

Fraud Data Warehouse

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

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

For the last five years, their data warehouse has been used to hold tenancy data provided by 15 organisations including Wolverhampton Homes. The Council has been invited to participate in an initiative to expand the scope of the warehouse to include data which can be used to detect other types of fraud, starting with Council Tax fraud. To enable the data to be shared a data sharing agreement has been signed. Council Tax data has been uploaded through a secure web site and will be uploaded on a regular basis. Further details of the progress made in developing the use of the data warehouse will be brought before the Committee as it becomes known.

Partnership Working

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

Fraud Risk Register

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

Midland Fraud Group

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

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Seminars completed December 2015 and January 2016
	Develop on line fraud training for staff.	To be refreshed early 2017
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Early 2017
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries undertaken in December 2015
	Use various forms of media to promote fraud awareness across the council including City People, the intranet and the internet.	Fraud seminars and surgeries promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going
	Complete the annual TEICCAF and CIPFA fraud surveys.	CIPFA Survey completed April 2016 TEICCAF survey completed September 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for Housing Waiting Lists – Summer 2016
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting January 2017 next meeting June 2017
	Attend external fraud seminars and courses.	GovNet Fraud and Error Conference January 2017 NAFN Summit –

Issue	Action	Timescale
		<p>November 2016</p> <p>West Midlands Economic Crime Unit Fraud in the Workplace Seminar-- October 2016</p> <p>TEICCAF Direct Payments Workshop – October 2016</p> <p>TEICCAF Business Rates Workshop – September 2016</p> <p>NAFN Roadshow – May 2016</p>
Assess the counter fraud strategy against best practice	<p>Complete national fraud self-assessments, for example:</p> <ul style="list-style-type: none"> • New CIPFA Code of Practice • The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English Public Purse • Department for Communities and Local Government – ten actions to tackle fraud against the council. • Consideration of fraud resilience toolkit 	<p>June 2015 (the last time required)</p> <p>Annually</p> <p>On-going</p> <p>On-going</p>
Identify and rank the fraud risks facing the council	<p>Manage the council's fraud risk register to ensure key risks are identified and prioritised.</p> <p>Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.</p> <p>Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan</p>	<p>On-going</p> <p>On-going</p> <p>On-going</p>
Work with other fraud investigation teams at the council	<p>Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.</p> <p>Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.</p> <p>Develop the sharing of data following the establishment of a fraud data sharing agreement between Wolverhampton Council and Birmingham City Council.</p>	<p>Corporate Fraud Group established</p> <p>On-going</p> <p>Signed July 2016</p>
Work with external organisations to share	Establish formal joint working relationships with external bodies, for example Police, Health Service	A number of joint investigations were

Issue	Action	Timescale
knowledge about frauds?	and Immigration Enforcement.	completed with the Police during 2015/16.
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; The TEICCAF Annual Protecting the English Public Purse report and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 2017
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the council's strategic partners.	On-going
	Partnership agreements to include the council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – July 2016
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the council.	Fraud surgeries undertaken in December 2015
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the council's internet site

Issue	Action	Timescale
	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 @ February 2017

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



Protecting the English Public Purse 2016



Foreword

David Magor OBE, IRRV (Hons)

Chief Executive - Institute of Revenues Rating and Valuation



The pressure on public finances continues to grow. The dual effect of ever increasing demand and the never ending need to save money means that every penny spent on local services must achieve both best and added value. The challenge of ensuring all services are delivered effectively and efficiently is the ultimate aim for all tiers of sub national government.

A critical element of the continuous battle to spend all revenues to gain maximum service quality and delivery is the fight against fraud and corruption. Those who choose to try and cheat the system must be stopped. All public and private sector bodies must put in place sufficient checks and balances to ensure the fraudster is both prevented from defeating the system and if they are successful they are brought to account.

“A critical element of the continuous battle to spend all revenues to gain maximum service quality and delivery is the fight against fraud and corruption.”

Over the last five years the range of services that are vulnerable to fraud and corruption has grown. Not a day passes without hearing of the latest attempt to defeat the system. The fraudster and thief are becoming more sophisticated in their approach. In the last two years the growth of tax avoidance has become alarming. Historically this has been a problem for Her Majesty’s Revenue and Customs, however we are now seeing a massive growth in avoidance of both non-domestic rates and council tax. The former can now be measured in figures that are now counted in billions. This new activity can be added to the difficulties experienced by those trying to administer social housing and benefits. There are of course many other areas of activity that are vulnerable to attack and these risks are increasing as the public sector becomes more susceptible to cyber exploitation.

In order to create the infrastructure to meet these weaknesses, local government in particular must recognise the need to make resources available to ensure there is an adequate response. The initial action must be to create a financial framework that will provide the funds to acquire the right calibre and quality of resources, both human and physical, to both investigate inappropriate actions and to put in place preventive measures to protect services. This funding should be built around clear recurring budget commitments rather than contingency based arrangement, even though any investment in fighting fraud and corruption is very easy to cost justify.

The need to provide adequate funding is highlighted by the content of this excellent report. Only with publications of this type can we highlight the need to maintain the importance of the resources that protect much valued services. The introduction of the Single Fraud Investigation Service in the Department for Work and Pensions did initially create confusion in local government concerning the need to develop corporate fraud and corruption services. However, this problem has dissipated and we are now seeing a significant growth in new and expanded teams.

The success highlighted in the subsequent pages of this report is also becoming more dependent on the effective use of “big data”. The use of multiple data sources and sophisticated matching software has added to the intensity of the fight against fraud. We have also seen the growth of “hubs”, which have given a new dimension to the sharing of information and resources. A pleasing aspect of this is the partnerships between the public and private sector that have evolved. These developments have been encouraged by funding vehicles that have been provided by Central Government. In particular, the Cabinet Office have led and encouraged numerous projects which have not only achieved significant savings, but have heightened the awareness of the need to place the fight against fraud and corruption at the top of the public and private sector operational agendas.

David Magor OBE, IRRV (Hons)

Introduction

Welcome to the second Protecting the English Public Purse (PEPP 2016) report by The European Institute for Combatting Corruption and Fraud (TEICCAF).

Thank you for taking part in this year's Protecting the English Public Purse (PEPP) 2016 survey, the response has once again been incredible. We have made a number of changes to the look and feel of the report, including the questions asked and how the data was collected. We explored other areas that may not have been considered previously.

With this in mind, and the number of Local Authorities we have visited, the report has a "different" feel. This has been a new experience and learning curve for both yourselves and all at TEICCAF. The report aims to showcase Local Authority achievements, witnessing amazing innovation from a large number of councils.

TEICCAF aims to assist our public sector members to decide the best way forward to tackle fraud. We must 'Know Our Customers' to deliver services that are fit for purpose, providing 'Value for Money'. Meeting members at the "coal face" is most effective, be this as an individual, corporate team, hub or collective - at events and workshops.

TEICCAF aims to assist our public sector members to decide the best way forward to tackle fraud.

The effect of the Single Fraud Investigation Services (SFIS) has been dramatic. The closure of some Local Authority Investigation services, along with the loss of highly experienced Investigators, has left some areas of the country without ANY corporate investigative resources. These Local Authorities are now vulnerable and at risk in relation to financial irregularities and fraud.

With the backing of Chief Financial Officers and Members, Corporate Teams are being implemented around the country, establishing potential growth within their own rights. Risk is being drilled down, financial irregularities mitigated. We have seen numerous business modules, shared service, joint working and lone investigators expanding into different areas. The highlight has seen authorities generate a significant revenue stream, producing real cashable returns on investment. The increased revenue and savings have allowed Local Authorities to consider commercialisation, which does not just confine them to the Fraud Arena.

TEICCAF’s report and dialogue with our members has convinced us that no matter what is thrown at Local Authorities, some will always see opportunity where there is threat, enabling them to re-invent themselves. Many teams are now looking at all areas of risk and financial irregularity, thus ensuring the public purse is truly protected. The whole country may not have followed suit, but a small rumble has now started and we believe TEICCAF have helped to create this change.

TEICCAF’s report and dialogue with our members has convinced us that no matter what is thrown at Local Authorities, some will always see opportunity where there is threat, enabling them to re-create themselves.

The focus for our innovative Local Authorities is “cashable savings”. We all know how crucial it is to have “real money”, and our report looks at areas where cashable savings can occur – Insurance, Procurement, Direct Payments, Business Rates Evasion, to name but a few.



Benchmarking is also an area that has been widely discussed this year. Local Authorities have been requesting consistent statistics to enable them to realistically benchmark. In moving forward TEICCAF will continue to discuss benchmarking, to explore how it can be used in an effective manner, and we will report back to members with our findings.

New for this year!

In order to enhance this year's TEICCAF report and to provide a deeper depth to each category type, we have been fortunate enough to receive assistance from a number of experts. We would like to thank them for their participation and for sharing their knowledge, expertise and experience, which has been invaluable.

Our National report is designed to provide a snapshot of how Local Authorities are looking into Fraud, Risk and Financial irregularity.

Our main Sponsors, and the country's leading solution providers have once again kindly made this report possible. Private companies, such as Intec for Business, have a direct link in assisting Local Authorities and how they wish to operate. Authorities are investing in new technology and services, with the "invest to save" mentality significantly improving performance and results.

The report contains Case Studies from a number of Local Authorities which showcase their investigative skills, sharing their immense efforts and hard work in tackling all types of fraud. Without the sheer will and determination from Counter Fraud Specialists our reports would not be possible.

Finally we have celebrated what matters when compiling, gathering, disseminating and producing a report such as this...YOU.

So, thank you once again...

Summary

- ★ *PEPP 2016 has been developed by **YOU for YOU** based on your feedback and recommendations!*
- ★ *PEPP 2016 reports on national, regional and local fraud detection by English Local Authorities...*
- ★ ***For the first time** our report provides statistics for Housing Associations and the current general register (waiting lists).*

Investigation Categories by Value

Housing Benefit

60% of Local Authorities still investigate Housing Benefit. The estimated value of these investigations is £52m.

Approximately 13,000 cases were carried out with 80% of these in the North of England region.

Social Housing

69% of all Local Authorities investigate Social Housing Fraud at an estimated value of £50m.

Approximately 2,700 investigations were carried out nationally. It is estimated that 34% of all Local Authorities joint work with registered providers of social housing.

Right to Buy

The amount of Right to Buy detected fraud is higher than ever and has now become a category in its own right. The estimated value being just over £46m

The number of investigations have increased by over 400%. We have identified that approximately 57% of Local Authorities DO NOT use recommended discounts as a saving indicator, choosing to use more accurate values based on the discount they offer.

Council Tax

Council Tax investigations became one of the main growth areas with an estimated value of £31.4m, an increase of over 68%

This is an increase in the number of investigations by around 65%. However, 31% of councils report NO Council Tax investigations.

TEICCAF 2015/16

Our Achievements so far

- ★ We produced our first PEPP and PLPP reports.
- ★ We collated, assessed, disseminated, published and provided good practice guidelines in tackling financial irregularity with the first TEICCAF PEPP and PLPP fraud reports (2015).
- ★ Provided all who took part in the Protecting the English Public Purse 2015 survey with an individual fraud briefing.
- ★ We visited over 60% of Local Authorities around the country. Providing our Individual reports, assisting in team building, attending Leadership team meetings and assisting corporate teams.
- ★ Have attended Audit Committees on behalf of Local Authorities, enabling us to highlight and promote the innovative good practice that councils are developing.
- ★ Hosted Councillor and Chief Financial Officer awareness sessions as well as attending Councillor meetings.
- ★ Hosted our first TEICCAF Fraud Summit
- ★ We assisted in the creation of the National Data Hub group, which we now host and chair.
- ★ Asked to assist in creating a Data Analyst Working Group, which we now host and chair.
- ★ Have created, organised and facilitated successful workshops for our members. These have included;
 - Business Rates
 - Direct Payment and Social Fraud
 - Tenancy Fraud
 - Blue Badge
 - Right to Buy and VRTB
- ★ Provided our first ACFS training – giving affordable rates to our members.

- ★ TEICCAF are heavily involved in a number of Regional Groups and Audit Partnerships, attending meetings where requested.
- ★ Provided Consultancy to a number of external bodies.
- ★ Work closely with the Cabinet Office, NAFN.
- ★ Hosted our first Annual Conference.
- ★ Worked in Partnership with the IRRV and LAIOG.
- ★ Announced the merger between TEICCAF and LAIOG this year.
- ★ Spoken at various events over the year, including Fraud and Error 2015 and the IRRV Annual Conference.
- ★ Began dialogue with other Public Sector bodies to encourage further growth.
- ★ Attended meetings with the Cabinet Office, LAG and DCLG on your behalf.
- ★ Delighted to announce our sponsors include training providers, IT solution providers and Solicitors with more on the way.

For 2017 TEICCAF will continue to:

- ★ Collate, assess and disseminate good practice further.
- ★ Work in partnership with councils across England to develop PPP style reports.
- ★ Work in partnership with national regulators and other key stakeholders to develop PPP reports for Scotland, Wales and Northern Ireland.
- ★ Work with metropolitan districts and unitary authorities to increase their participation rate in our annual detected fraud and corruption survey.
- ★ Work in partnership with councils to promote the importance of counter fraud activities in those regions where more can be done to strengthen fraud detection.
- ★ Develop guidance and provide support to tackle fraud and corruption, drawing upon the knowledge of national experts.
- ★ Work with partner organisations to develop new fraud prevention and deterrence tools.
- ★ Work with key stakeholders to develop a methodology to assess the financial impact of fraud prevention activities; and
- ★ Publish information and guidance to raise public awareness and understanding of good practice in tackling fraud.

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The National Picture

“Fraud is an act of deception carried out for personal gain or to cause loss, or a loss to another party. In the Public Sector fraud can be committed internally by workers or externally by suppliers, contractors and members of the public. Fraud covers a wide spectrum of activities and can affect all departments.

Preventing and Detecting Fraud are key to minimising loss and ensuring that Public Funds are spent in the way that Tax Payers would expect. With ongoing pressure to cut costs, reducing loss of Public Funds through Fraud is an opportunity to make potentially significant savings.”

Fraud Landscape Review
Feb 2016 (National Audit Office)

“Local and Regional Government expenditure in 2013/14 was £160 billion (HM Treasury, 2014). Total estimated fraud losses amounted to £7.3 billion.”

Annual Fraud Indicator 2016
(University of Portsmouth)

Completing National Surveys

Local Authorities (LAs) stated that the timing of our survey was crucial. Members informed us that Fraud Surveys are time consuming and require cross departmental data gathering. This causes time delays on submission, having a knock on effect on other work commitments.

TEICCAF are liaising with main software providers to automate the process of data collection. This we hope will ease the collation and submissions of the TEICCAF survey in the future.

* The local authority breakdown in England is as follows;

★ Metropolitan Borough & Unitary Councils	91
★ London Borough Councils	32
★ County Councils	27
★ District Councils	201
Total	351

*Figures from Gov.uk – January 2016

Figures provided from last year’s PEPP indicated that over 40% of Authorities do not have a Fraud/Investigative presence.

“Nationally, less than half (45.7%) of councils have a corporate counter fraud team tackling non-benefit fraud. However, this is not consistent across all regions. In London, 93.5 per cent of councils have a corporate fraud team. By comparison just 37.4 per cent of councils in the rest of the country have a corporate fraud team.”

Protecting the English Public Purse 2015 (TEICCAF)

2015/16 Survey response rate –

★ Midlands	- 29% of returns
★ North	- 17% of returns
★ South & London	- 54% of returns

For the first time London were not the main participants in the PEPP report. In previous years, unrealistic figures, (which weighed heavily on the Capital), seemed unworkable for others. This provided the rest of the UK an unrealistic target to compare themselves to.

This year figures will provide a “more accurate reflection” as to how financial regularity, fraud and risk are being managed outside London.

Total Value of Fraud Types 2015/16 (The total values by fraud type**)

Fraud Type	No. of Cases Investigated			Value of investigation		
	2014/15	2015/16	% Var	2014/15	2015/16	% Var
Housing Benefit	27,300	13,830	-49.34	£ 109,707,000.00	£ 52,500,000.00	-52.15
Tenancy	2,993	2,787	-6.89	£ 53,874,000.00	£ 50,200,000.00	-7.32
Right to Buy	411	2,253	448.26	£ 30,200,000.00	£ 46,400,000.00	34.91
Council Tax	48,000	79,283	65.17	£ 18,600,000.00	£ 31,400,000.00	68.82
Business Rates	171	233	36.45	£ 1,100,000.00	£ 2,700,000.00	145.45
Procurement	86	167	93.80	£ 2,300,000.00	£ 3,850,000.00	67.39
Insurance	473	787	66.31	£ 9,200,000.00	£ 7,500,000.00	-18.48
NRPF	444	183	-58.71	£ 7,100,000.00	£ 5,700,000.00	-19.72
Other		2,407			£ 11,800,000.00	
Councillor/Employee		367			£ 330,000.00	

** Variable figures used and RTB and Tenancy split in this table.

** Fraud stats are calculated based on the 60% sample we achieved.

** RTB is calculated on the figure provided by the LA, NOT the Notional Figure.

Investigation Officers

The National average of investigators per local authority is 2.2. This is a reduction of 50% on figures collated prior to the introduction of Single Fraud Investigation Service.

Average number of Investigation Officers – By LA Type

- ★ District and Borough Councils = 1.3
- ★ Metropolitan Borough Councils & Unitary LA's = 3.1
- ★ London Borough Councils = 5.7
- ★ County Councils = 1.9

London has the most concentrated number of officers per Local Authority, having double the National Average, the District and Counties have around 40% less than the National Average. **For the second year running Investigation Officers within District Councils dropped by nearly 50%.**

Average number of Investigation Officers - Regionally

- ★ East Midlands & West Midlands = 2.1
- ★ London = 5.7
- ★ North West & North East = 1.2
- ★ South West & South East = 2.0

Types of Fraud (by Value)

1. Housing Benefit
2. Tenancy & Social Housing
3. Right to Buy
4. Council Tax Discount Exemption

Housing Benefits

Foreword - David Magor OBE, IRRV (Hons)

Chief Executive -Institute of Revenues Rating and Valuation

David Magor OBE, IRRV (Hons) Chief Executive of the Institute of Revenues, Rating and Valuation, formerly Director of Housing and Revenues at Oxford City Council, David is a past President of the IRRV and became its CEO in 2001. His knowledge of the theory and practice of Housing, Revenues and Benefits is held in high regard, and he has been a frequent advisor to Government departments such as the Department for Work and Pensions, Department for Communities and Local Government, and the Ministry of Justice. He is also a member of the OECD training group, and has been an advisor to the Northern Ireland Assembly and the Local Government Association. Amongst his many public and media appearances, he has been a speaker on BBC Radio's Money Box and a guest on the Radio 4 Reunion programme.

The fiduciary duty placed upon the Chief Financial Officer by Section 151 cannot be subordinated, and whilst local government has a statutory duty to administer housing benefit, there is no possibility of avoiding this important responsibility. The financial consequences of any withdrawal of any resources could be catastrophic. The need to maintain an effective service both in terms of administration and investigation is best highlighted by the financial penalties associated with administrative failure. Too many local authorities are losing significant sums through subsidy loss arising from qualified returns."

David Magor OBE, IRRV (Hons)

Despite the introduction of SFIS and the continuing roll out during 2015/2016, our survey indicated that over 60% of local authorities still investigated housing benefit fraud.

Our members explained that time delays, with DWP prosecutions services, made Local Authorities reluctant to hand over high value Housing Benefit prosecutions (where there is another Corporate Fraud attached), thus providing the high percentage and value of Housing Benefit cases.

Council Type;

- ★ District and Borough Councils 68%
- ★ Metropolitan Borough Councils & Unitary LA's 63%
- ★ London Borough Councils 56%
- ★ County Councils 10%

These figures fall in line with the national average.

Regional Area;

- ★ East Midlands & West Midlands 50%
- ★ London 56%
- ★ North West & North East 79%
- ★ South West & South East 59%

Over 13,800 cases of Housing Benefit investigations were carried out last year. A decrease of 50% on previous years. We would assume that this is a direct effect of the roll out of SFIS and the release of a number of officers.

We have calculated the average value per investigation by council type and region as follows:

The average value of a housing benefit investigation by Council Type

Council Type	Average Value
District & Borough Councils	£2,864.93
Metropolitan Borough & Unitary Councils	£4,078.58
London Boroughs	£7,417.06
County Councils	£7,080.00

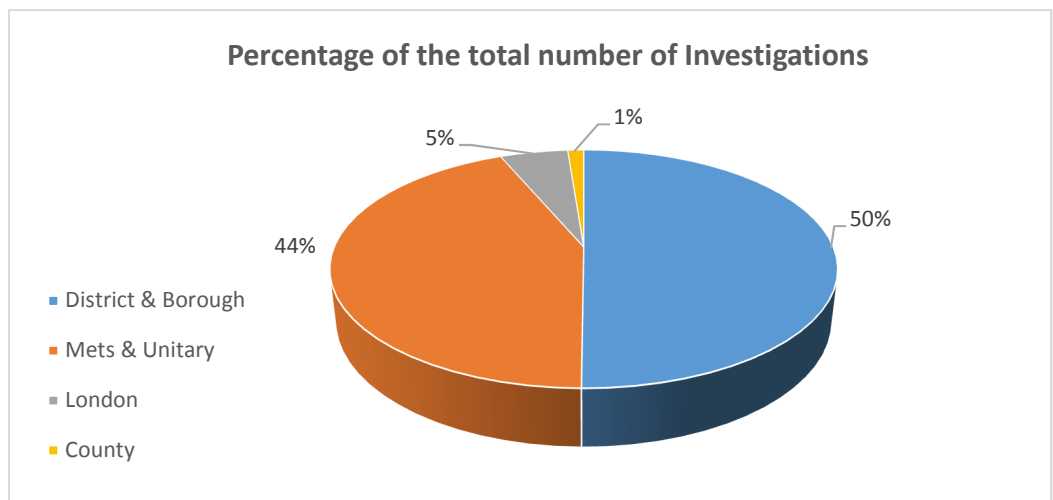
The average value of a housing benefit investigation by region

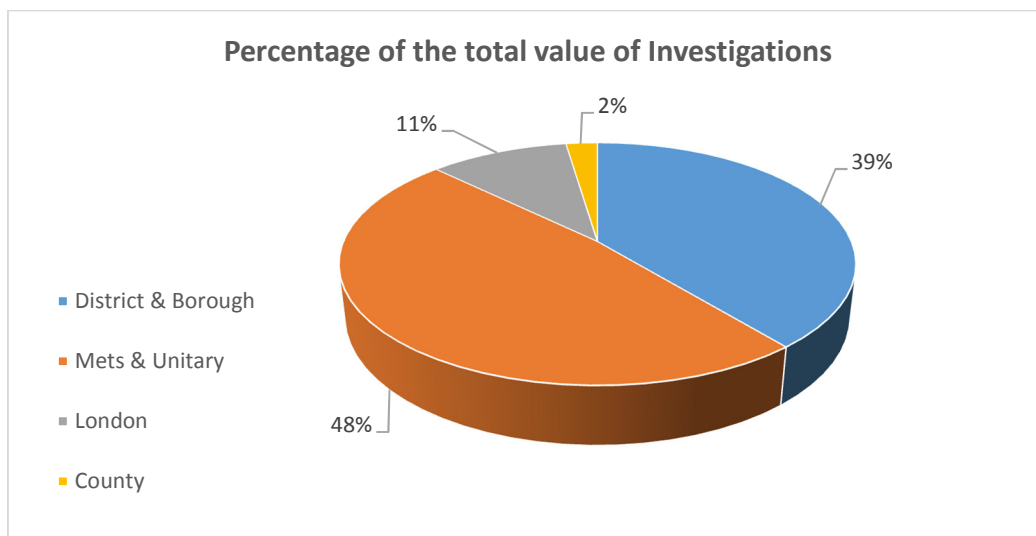
Region	Average Value
East Midlands & West Midlands	£2,806.87
London	£7,417.06
North West & North East	£2,975.97
South West & South East	£4,142.13

Approximately 80% of Local Authorities within the North of England still look at Housing Benefit Fraud. Housing Benefit continues to be the main Investigation type in wide areas of the country.

A number of LAs have kept historical Housing Benefit cases or have Corporate Investigations that also included a Housing Benefits element.

London recorded 56% of investigations undertaken had an element of Housing Benefits. An estimated 48% of all revenue from HB fraud investigations came from the Metropolitan Boroughs and Unitary LAs





Case Study (1) – Lambeth V Adeyemi



(Housing Benefit and Proceeds of Crime Act (POCA))

Huge PoCA Award for Lambeth

Lambeth Counter Fraud Team started an investigation in March 2013 when an appeals officer from Lambeth Benefits Service noted concerns about the benefit payments a claimant was receiving and referred this for investigation. After a lengthy investigation it transpired that the tenant, Ibrinke Adeyemi actually owned the property she was purporting to pay rent for, and that she had provided a fraudulent tenancy agreement in order to facilitate the fraud. It transpired that she had purchased the property from Lambeth under Right to Buy legislation in 2002, but made the claim for rent using a different name than that under which she purchased the property.

To make matters worse, the investigation also uncovered a second property owned by Adeyemi in Croydon that she rented out for £1,100 a month.

Adeyemi protested her innocence throughout, first stating she thought the Council knew she owned the property and later stating that she simply held the property in trust for her children, however the investigation found that she had committed multiple frauds, for example declaring just one bank account in one name when in fact she held 8 further bank accounts in other names.

During a seven year period stretching from 2006 to 2013, Adeyemi received in excess of £96,000 in housing benefit payments to which she was not entitled.

She was initially charged with offences under the Social Security Administration Act 1992 and the Fraud Act convicted 2006 and had pleaded not guilty to all offences. A trial commenced on 26 October 2015, and on the second day of the trial she changed her plea when she pleaded guilty to five of the eleven offences. On 21 December 2015 Adeyemi was sentenced to 30 months in prison.

After a long and protracted Proceeds of Crime Act investigation an award was finally made on 20 October 2016. A confiscation order totalling £475,632.07, which included a compensation payment covering the total benefits overpayment, was ordered to be paid within three months with a default custodial sentence of four years. The Court also awarded Lambeth costs totalling £11,411.00

Michael O'Reilly
Counter Fraud Manager

Cllr Paul McGlone, Lambeth council's deputy leader, said:

"The council prioritises tackling this kind of offending, and I welcome the court's decision to make such a significant confiscation order and to also award the council's costs in bring this case.

"This individual committed multiple offences over an extended period of time. It's a testament to the council's work that we were able to expose her deceit and to eventually secure a guilty plea."

Social Housing

Social housing fraud occurs when a home is occupied by someone who is either not legally entitled to be there, or obtained use of the property fraudulently. Social housing fraud deprives legitimate and deserving tenants access to affordable homes and has a direct impact on local people, their families and their communities. Common examples are;

- ★ Application/allocation fraud
- ★ Key-selling fraud
- ★ Subletting fraud
- ★ Succession fraud

The national average of Local Authorities with housing stock is 54% rising to 70% for London. This makes social housing fraud one of the largest areas of investigations.

70% of unitary and metropolitan boroughs have housing stock, decreasing to 52% for district councils.

33% of Local Authorities without housing stock investigate social housing fraud on behalf of their Housing Providers.

A total of 70% of all authorities investigate social housing fraud.

2,700 investigations of social housing fraud generated an estimated £50,200,000 worth of savings across the country. In comparison to last year there is a 7% reduction in the number of investigations and a 7% reduction in the value associated to social housing fraud.

New for this years report - Properties Recovered.

The national average of properties recovered per authority is 34. The split between illegal subletting and other social housing fraud* is 50/50 at 17 properties each.

Average number of properties per authority (by Type):

Authority Type	Subletting Fraud	Other Tenancy Fraud
District & Borough Councils	4	10
Metropolitan Borough & Unitary Councils	24	19
London Boroughs	28	28

Average number of properties per authority (by Region):

Region	Subletting Fraud	Other Tenancy Fraud
East Midlands & West Midlands	34	21
London	28	28
North West & North East	9	25
South West & South East	5	9

*Other social housing fraud types are: abandonment, succession assignment, Anti-social behaviour and fraudulent application

- ★ The North of England reported 40% less than any other region
- ★ London recorded the highest number of cases (per authority) for “Other Tenancy Frauds”

TEICCAF has explored proactive methods for investigating social housing fraud. The main methods used were;

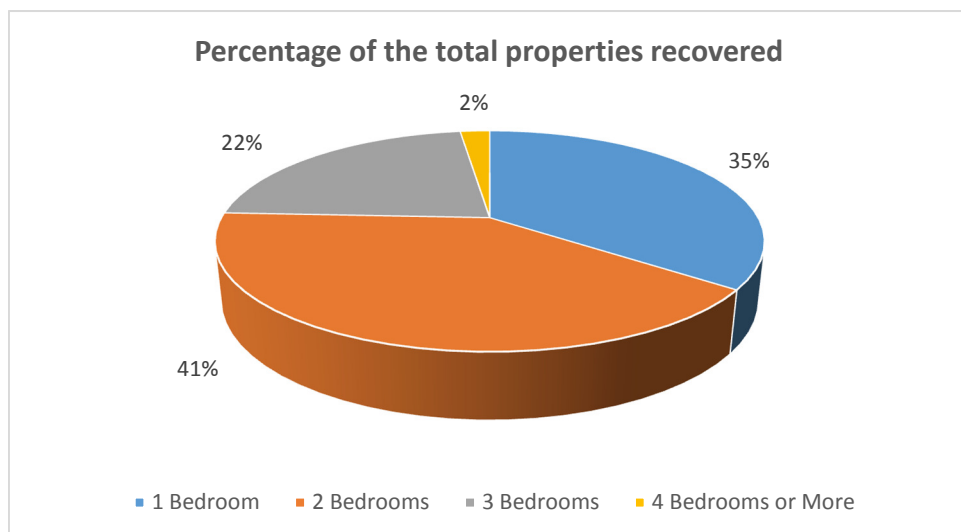
- ★ Offering a Key Amnesty
- ★ Audit/Data checks not using Credit Reference Agency Data
- ★ Audit/Data checks using Credit Reference Agency Data
- ★ Other

The most common types of Social Housing fraud that occurred during 2015/2016 were;

- ★ Subletting
- ★ Succession/assignment
- ★ Abandonment
- ★ Other

Fraud Type	Percentage
1 st Abandonment	34%
2 nd Subletting	32%
3 rd Succession/Assignment	19%
4 th Other	15%

Properties recovered

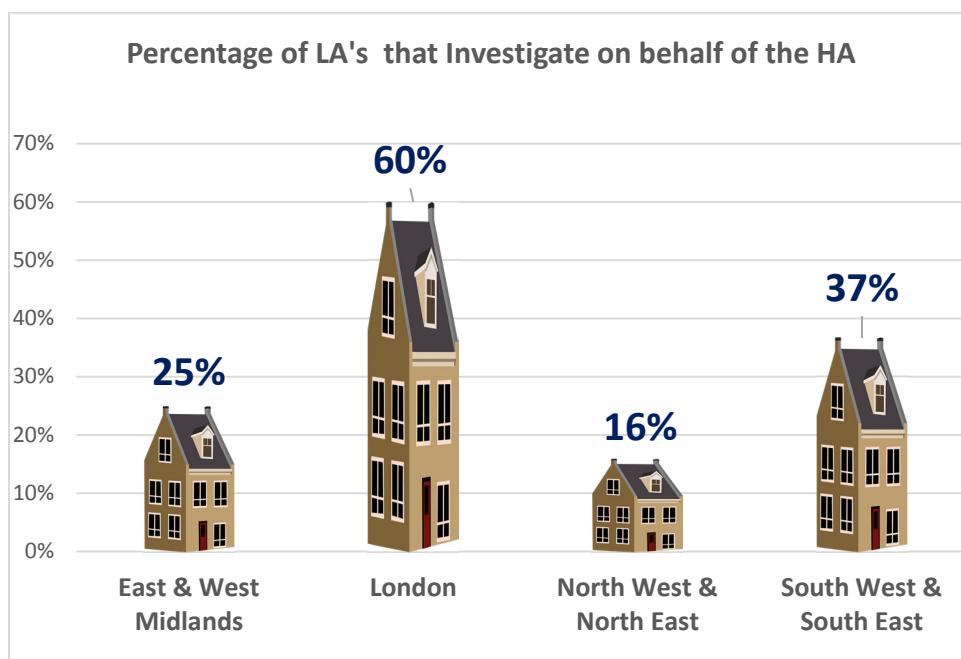


Across most council types 41% of properties recovered were 2 bedroom.

Working with Housing Associations to detect Social Housing Fraud

Joint working and shared services are becoming a more integral part of the way local authorities work. TEICCAF asked – Do you investigate social housing fraud on behalf of your Social Landlord Providers?

- ★ 34% said yes.
- ★ 50% of the above also have their own stock, (however this increased to 70% for London Boroughs)



Results indicate that the North are below the National average.

London appears to have a closer working relationship with their Social Landlord providers.

Subletting is the main referral type, with an average of 75%

Average number of properties per authority (by Type):

Authority Type	Subletting Fraud	Other Tenancy Fraud
District & Borough Councils	3	3
Metropolitan Borough & Unitary Councils	3	1
London Boroughs	23	1

Average number of properties per authority (by Region):

Region	Subletting Fraud	Other Tenancy Fraud
East Midlands & West Midlands	4	3
London	23	1
North West & North East	0	5
South West & South East	4	3

TEICCAF encourage every Local Authority to create a working relationship with all their registered providers. In assisting your registered providers with fraud awareness training and investigative support we hope that future surveys will see these figures dramatically increase throughout the country.

Case Study (3) LB Southwark- Operation Bronze



Tenancy Fraud Investigation

Southwark's Operation Bronze ends with prosecution of defendants

All those defendants linked to Trudy Ali-Balogun case including a prosecution under Prevention of Social Housing Fraud Act.

One of Southwark Council's biggest fraud investigations, Operation Bronze, has ended with the successful prosecution of three defendants linked to Trudy Ali-Balogun.

Theresa Okondunjokanma, Florence Allen and Raphael Djeugam were all in receipt of council homes obtained using fraudulent documentation processed by Trudy Ali-Balogun. All three were found guilty of obtaining services by deception (Theft Act 1978) at Woolwich Crown Court. Ms Okondunjokanma was also sentenced to 18 months imprisonment; this included a first for the council, as Ms Okondunjokanma was also sentenced for illegally subletting a secured tenancy (Prevention of Social Housing Fraud Act 2013). The new law was introduced by the government to give local authorities greater powers to tackle housing fraud. The court heard that as part of Ms Okondunjokanma's homeless application, she had provided three false child birth certificates, false bank statements, false child benefit letter and false indefinite leave to remain vignette in her Nigerian passport.

As a result, Ms Okondunjokanma was offered a property in Peckham which was then illegally subletted to her sister and her family. Ms Okondunjokanma was then moved to another Southwark tenancy in Camberwell. The property has since been returned to the council. Florence Allen and Mr Raphael Djeugam were ordered to serve 15 months and two years respectively in prison for their crimes. Ms Allen was offered a tenancy in Bermondsey after producing false child birth certificate, false bank statements, false Nigerian passports with indefinite leave to remain vignettes, false national insurance numbers and false utility bills, to support her homeless application. The property will now be recovered by the council. Mr Djeugam was offered and accepted a tenancy in Peckham using fraudulent documentation. The property will also be recovered by the council.

Mike Pinder

Head of Audit and Risk

Councillor Fiona Colley, Cabinet Member for Finance, Strategy & Performance, said:

“Housing fraud costs tax payers millions of pounds and deprives those in real need of a council property. Operation Bronze was set up to combat this and ensure that anyone found profiting from council resources was brought to justice. “Today I am pleased to say that we have accomplished much of what we set out to do. The operation has resulted in 38 convictions and has recovered 42 properties which can be reallocated to genuine applicants. Crucially, we’ve now developed a culture of accountability and greater scrutiny of council resources with improved measures for preventing and identifying fraud.” The council will be looking to take action under the proceeds of crime act where possible. Operation Bronze started based on the review of datasets from the Audit Commission’s National Fraud Initiative (NFI) and the Metropolitan Police Operation Amberhill.”

Housing Waiting Lists

Housing waiting lists emerged as an area for development in last year’s report. Our survey has shown there are approximately 1,200,000 people on waiting lists in England. The numbers have fallen in recent years due to authorities auditing, mainly with the introduction of the 2011 Localism Act.

Approximately 50% of Local Authorities could not provide information regarding their Audit process or waiting lists.

Average number of families (by Type of Authority):

Authority Type	Avg. No. of Families
District & Borough Councils	1,896
Metropolitan Borough & Unitary Councils	9,256
London Boroughs	13,552
County Councils **	12,270

** Out of all County Councils surveyed, 1 replied with a value for the waiting lists. We have since been advised that this is a shared service working on behalf of various LA’s.

Average number of families (by Region):

Region	Avg. No. of Families
East Midlands & West Midlands	5,044
London	13,552
North West & North East	6,073
South West & South East	3,418

Auditing Methodology;

- ★ Home visit - 35%
- ★ Internal data matching - 33%
- ★ Using Credit Reference Agency - 20%
- ★ Automated Internal Data Matching- 12%

Audit Process;

- ★ 78% of Local Authorities audit their housing waiting lists once a year
- ★ 20% - less than once a year
- ★ 9% - never
- ★ Local Authorities who do not audit their list annually have a 43% higher waiting list than those who carry out regular audits.

One Local Authority placed a value of £4,000 for a family removed from their general register (housing waiting list). Using this value we could estimate a saving of £6.4 million pounds for those authorities who audit their list more than once every six months.

When checking other Annual Reports we found the following figure had also been used;

NFI – Fraud Report (November 2016)

“In the previous reporting period one London council removed 1,482 applicants from the social housing waiting list and estimated fraudulent losses prevented at £18 million (£12,000 per case - the estimated financial benefit relates to the reduced temporary accommodation costs). In this reporting period the pilot was expanded and 726 housing waiting list applicants were reported as being removed. However, very few reported an estimate of losses prevented. The overall total prevented was £1 million. This has resulted in a potential under reporting of up to £8 million, when compared to the £12,000 per case applied by the London council in the previous reporting period”

Right to Buy

Right to buy fraud happens when tenants apply for a discount to purchase their home:

- ★ Giving false information.
- ★ Unlawfully applying for a discount where the property has been subject to tenancy fraud such as sub-letting
- ★ Having entered into an agreement with a third party to buy the property on the tenants behalf for a cash incentive

Right to Buy (RTB) fraud is one of the largest emerging threats in the country. The number of Right to Buy applications have increased significantly.

The estimated number of investigations in 2015/16 was over 2,253 with an estimated value of £46,400,000.

- ★ A number of authorities recorded that they had successfully prevented/detected Right to Buy cases however they could not give an associated value for these cases.
- ★ Nationally 43% of LAs use the standard value provided.
- ★ 86% of London boroughs use the standard figure provided for them (£103,000 approx.)
- ★ 57% of the country do not use the standard discounts.

A number of Local Authorities do not to use the "maximum discount" generated for outside London (£77,000), due to market values varying from region to region.

Results received have provided more realistic average figures in certain areas of the country.

Average figures used:

- ★ North £44,300.00 (44% less than the standard discount)
- ★ Midlands £48,300.00 (38% less than the standard discount)

The national average of all RTB applications passed to the investigation team for further verification checks was 33%.

A third of local authorities carry out verification checks on 100% of their RTB applications. Whilst this may not lead to the highest value in terms of reporting RTB fraud, it certainly ensured that fraudulent applications were stopped before the claim was processed.

RTB applications passed for investigation;

Council Type

- ★ District and Borough Councils 51%
- ★ Metropolitan Borough Councils & Unitary LA's 25%
- ★ London Borough Councils 39%

Region Area

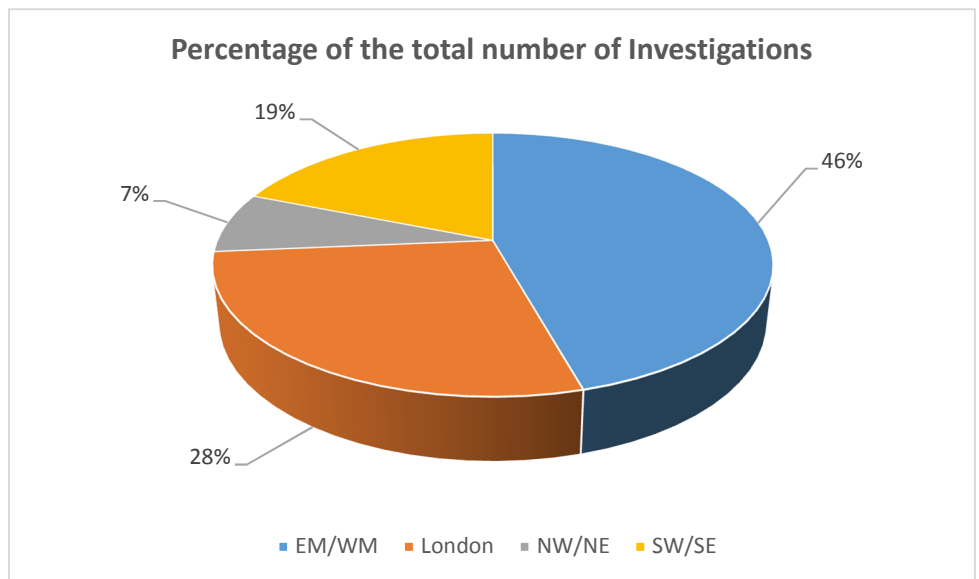
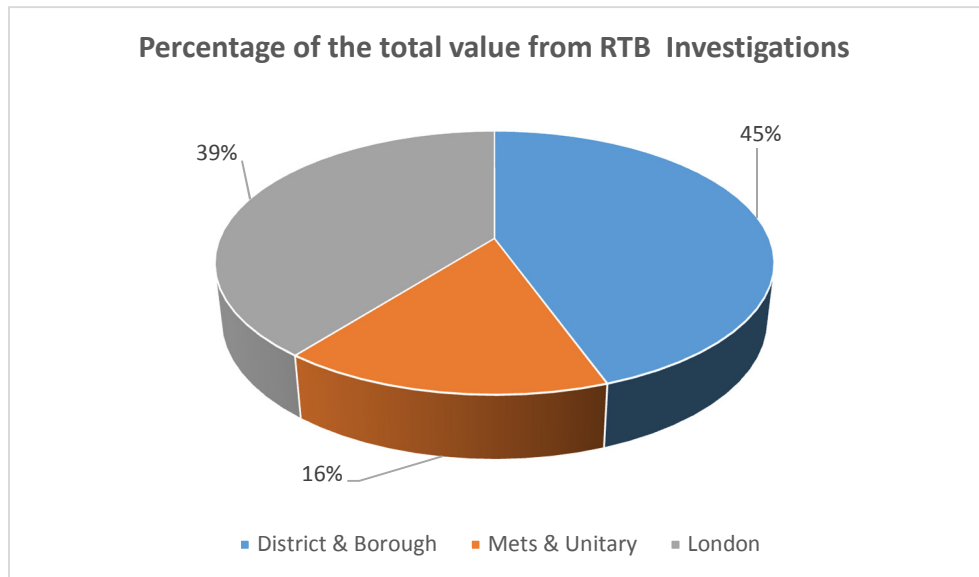
- ★ East Midlands & West Midlands 38%
- ★ London 39%
- ★ North West & North East 12%
- ★ South West & South East 36%

Looking at the value of RTB investigations, we asked the following question:

“If the national average (for percentage for RTB applications passed to the investigations team) is around 33%, and the value of these investigations was approximately £50,200,000...

Is it fair to assume that if all authorities vetted 100% of their applications, a potential additional saving of £102,000,000 could be achieved?”

Value of Right to Buy



Case Study (2) Sandwell – Right to Buy



Right to Buy Fraud Application withdrawn

Anti-Money Laundering plays a part in stopping RTB Application

Sandwell's Counter Fraud Unit investigated a potential tenancy fraud a few years ago which was brought back into view by the unit in 2015. A man was being investigated for tenancy fraud however during our investigation he was arrested and charged with murder. There was also an attempt to steal over a quarter of a million pounds, with an excess of £50,000 untraced.

The man's wife continued to live in Sandwell and sometime later put in a right to buy application. That team referred it across to the counter fraud unit as there appeared to be a fair amount of information suggesting that she had not been living at the address as required, to qualify for the right to buy. When her husband was arrested they were both living at his brother's property, not the council property at which she was the tenant.

No assets could be found for the husband. There was, however, the suspicion that he passed some of this money on to his wife. No proof was found of that.

The discount notified to the wife for the right to buy was £43,750 – the property was valued at £125,000 and the price that the wife could purchase was therefore £81,250.

The council started requesting information about where her funds originated from in early 2015 to satisfy our anti money laundering responsibilities. One of these forms was sent out to the wife also requesting evidence of the funds that she was providing for the purchase.

She completed the form but did not evidence the source of the funds. The form was issued twice more to her, but on both occasions she failed to evidence where she was obtaining the cash from. An investigator was in touch with her by this point, at which she asked to withdraw from the right to buy process. She gave no reason for this however it is felt that she couldn't prove the source of the funds was "clean".

Ian Scarrett

Counter Fraud Lead

Cllr Steve Eling, Leader of the Council says:

“Sandwell Council is totally committed to creating and maintaining an environment where fraud and corruption will not be tolerated. All instances will be investigated and the perpetrators will be dealt with in accordance with established policies. In particular we will continue to tackle tenancy fraud including right to buy fraud. Action will be taken to recover all monies stolen from the authority.”

Council Tax Discount Exemption

Avoiding to pay Council Tax by giving false information or by not declaring changes that might affect how much Council Tax is due can be classed as fraud.

Examples of the different kinds of Council Tax fraud include:

- ★ Providing false or incorrect information when applying for Council Tax Support
- ★ Claiming a Single Person discount when other adults are living at the property
- ★ Claiming a Student discount or exemption when not enrolled on a course of full-time education or not declaring non-students are resident at the property
- ★ Giving false information to claim a discount, exemption or other reduction
- ★ Not telling the Council when a discount or other reduction should be cancelled

As of the 1st April 2013 Local Authorities became responsible for administering their own Council Tax Reduction Scheme (CTRS)

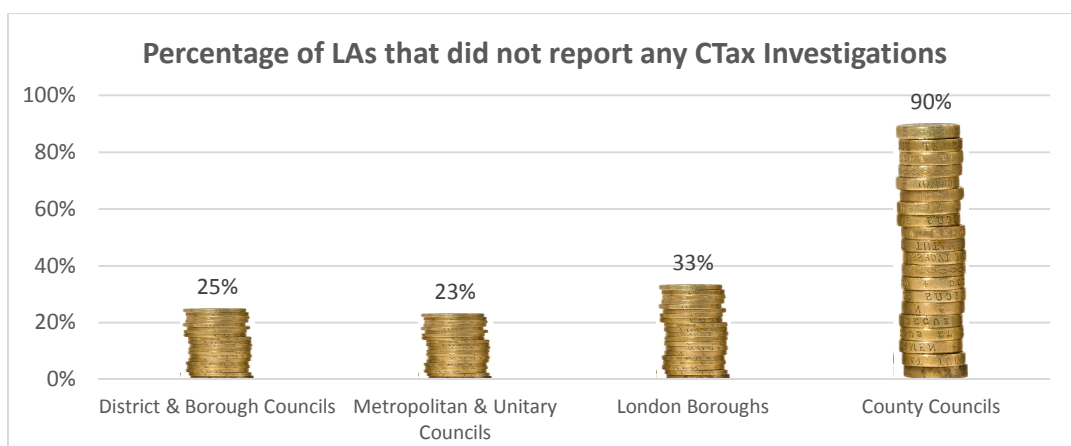
TEICCAF have placed Council Tax into 3 categories;

Council Tax Category	Number of Cases	Value
Single Person Discount	61,283	£ 19,550,000
Council Tax Other	2,380	£ 1,550,000
CTRS	15,620	£ 10,300,000
Totals	79,283	£ 31,400,000

- ★ Investigations have increased by 65% with a,
- ★ 41% increase in value compared to last year.

It is estimated that 31% of Local Authorities are not investigating any type of Council Tax Related Fraud.

Results by Council Type



Results by Region



Average return on Council Tax Fraud (by Type of Authority):

Authority Type	Value
District & Borough Councils	£ 88,000
Metropolitan Borough & Unitary Councils	£ 123,000
London Boroughs	£ 264,000
County Councils **	£ 176,000

Average return on Council Tax Fraud (by Region):

Region	Value
East Midlands & West Midlands	£ 151,000
London	£ 264,000
North West & North East	£ 143,000
South West & South East	£ 77,000

Figures published on Gov.Uk provide the average Band D council tax value as follows:

- ★ Shire Areas = £ 1,547
- ★ Unitary Areas = £ 1,518
- ★ Metropolitan Areas = £ 1,451
- ★ London Areas = £ 1,298

Other Fraud Investigations

Nationally a number of other areas have now started to make their way into the limelight. These areas have generated over 4,100 cases and have returns of over £31,800,000.

The main areas of risk, financial irregularities, avoidance and activity are:

- ★ Business rate retention
- ★ Procurement
- ★ Insurance
- ★ Social Care
- ★ Councillor/Employee

It is estimated that 24% of Local Authorities have reported no savings outside the 4 main Investigation Types.

Business Rates Retention

Foreword - Janet Alexander IRRV

Professional Services Manager – Institute of Revenues Rating and Valuation

Janet Alexander IRRV (Hons) worked in local taxation for 15 years before joining the IRRV's Policy and Research Department in 2000. During her time at the Institute she has sat on numerous working groups and committees for the Department for Communities and Local Government, Department for Work and Pensions, Valuation Office Agency and Ministry of Justice. Jan worked with the Office of the Deputy Prime Minister and the Association of Town Centre Managers for over two years on Business Improvement Districts and has spoken at numerous seminars for the Pilot Authority steering groups and conferences. During 2009, Jan worked closely with the Department for Communities and Local Government on the changes for Business Rates and has also been heavily involved with the Ministry of Justice on the implementation of the Tribunals, Courts and Enforcement Act. She is also an Institute lecturer/trainer, and well known public speaker and consultant on local taxation

The ever increasing interest in Business Rates is in part due to the changes in Local Authority funding. The fifty percent rates retention system currently in operation is due to move to one hundred percent by 2020 which means it is essential to the funding of Local Government in England and therefore continues to increase the profile of Business Rates within Local Government.

When the Government changed its view on unoccupied rate liability back in 2008 'avoidance' began to increase in terms of both the number of cases and the types of scheme. Business rates are a huge burden on businesses and also on landlords of unoccupied premises and therefore they will seek ways to minimise liability particularly in a difficult economic climate.

With the outcome of previous High Court cases acknowledging that minimising your tax liability (within the limits of the law) is legal, the avoidance problem continues to increase in both the number of cases reported and the financial gain for ratepayers. This obviously results in a significant loss of income for Local and Central Government by affecting the overall yield from Business Rates.

Maximising income can only be achieved by improved administration and monitoring. This obviously is resource intensive, particularly for smaller authorities with limited staff resources. Fraud teams can be of use here to support business rates teams by assisting in the monitoring and reporting of changes and therefore its inclusion in this PEPP report is both a sensible approach and a welcome step forward.

As 2020 approaches more cases will reach the High Court for decision but with no guarantee what the Courts will determine it may be that Central Government will have to stop discussing the 'avoidance issue' and start legislating for it!

Janet Alexander IRRV

Professional Services Manager

Unlike other areas, business rates retention presents a unique challenge. This is a new area of financial irregularity and can be classed as tax evasion or avoidance. There are a number of professional organisations legally trading in the UK that specialise in reducing the amount of business rates their customers have to pay. These professionals are often legally or financially trained on how to reduce rates.

In 2015/2016 there were approximately 230 cases involving business rates returning an estimated £2,690,000. This is a 35% increase in the number of investigations on the previous year and a 59% increase in the associated values.

Average return per authority (by Type of Authority):

Authority Type	Approximate Value
District & Borough Councils	£ 89,700
Metropolitan Borough & Unitary Councils	£ 25,900
London Boroughs	£ 8,925
County Councils	£ 64,000

Average return per authority (by Region):

Region	Approximate Value
East Midlands & West Midlands	£ 101,100
London	£ 8,925
North West & North East	£ 64,000
South West & South East	£ 25,100

- ★ The Midlands have the highest return by region
- ★ The District and Boroughs appear to be the most the most pro-active in Authority type.

Case Study 4 – Oxford City Council



Non Domestic Rates – Business Rates

A proactive approach to business rate Avoidance/Evasion

Following the delivery of Fraud Awareness training and liaison with the Council's Business Rates section by the Corporate Investigation Team, it was decided to undertake a proactive initiative on business properties that were recorded as empty.

Data was extracted and relevant intelligence checks were made prior to the properties being visited to help determine a level of risk.

Two properties that were deemed as high risk were located in the city centre with high rateable values.

One property had been showing as empty following the previous occupiers going into liquidation. At the visit it was found that a hairdressers and nail bar were trading from the premises. The tenant was contacted and details of the date of occupation were obtained. An invoice was raised for the whole period he had been liable.

The tenant lodged an appeal stating that the property had been sub-let for two periods and therefore he was not liable. Tenancy agreements for the two periods of sub-let were provided to the Council; however attempts to locate the sub tenants were not successful.

The tenant was subsequently interviewed and informed that the liability rested with him and the outstanding business rates were recovered. Value - £31,800.

The second case also involved a property in the town centre, which had supposedly been empty for some time.

When visited by the Corporate Investigation Team it was found that the premises had been split into two separate businesses.

The upper floor tenant had notified the Council that he had moved in but the tenant of the ground floor shop had not. The building was reassessed for NDR and an invoice was sent to the tenant of the ground floor premises. The invoice was paid in full. Value £299,600.

The combined value of these cases were £331,400 which illustrates the value of making the best use of data, as well as regular inspections of business premises.

Oxford City Council has since employed a Property Inspector in its Revenues department. The Corporate Investigation Team are running innovative proactive data-matching initiatives around NDR relief and exemptions.

Scott Warner

Investigations Manager

Nigel Kennedy, Head of Financial Services – Oxford City

It's known that some businesses actively go out of their way to avoid paying Non Domestic rates, and this is an issue for Local Government. The work of the Investigation Team includes detection of these businesses to ensure that they pay their way. This ensures fairness and consistency with other businesses in Oxford who do pay their rates. The team are employing various techniques to locate those abusing the system, including innovative use of an in-house data matching system."

Procurement Fraud

Foreword – Greg Braysford

Consultant - ITS Training

Greg Braysford is one of ITS Training’s leading consultants; he specialises in corporate and financial investigation and delivers procurement fraud training to public and private sector clients. A qualified Financial Investigator, he has worked in local government, the social housing sector and the police service, working in CID and the economic crime unit. Working with ITS, Greg runs regular training in all areas of corporate fraud, including briefings, courses and masterclasses in procurement fraud, housing fraud and NNDR fraud.

When you consider the issues that the private sector acknowledges in the procurement arena, it worries me to see how few cases of procurement fraud we see identified and investigated in Local Government. We know that when times are hard, fraud (or attempts to commit fraud), will rise. We also know that the amounts of money involved in procurement are huge and, therefore, attractive to serious and organised crime (to say nothing of its attractiveness to the opportunist!). When we learn that one authority has uncovered the use of such techniques as disposable mobile phones, we have to realise that serious criminal gangs are viewing procurement fraud as an area worth investing in.

When you consider the issues that the private sector acknowledges in the procurement arena, it worries me to see how few cases of procurement fraud we see identified and investigated in Local Government.

Another problem we regularly see is that, outside procurement professionals, there is a lack of knowledge of procurement rules and process: combine this with the ever decreasing number of staff who do specialise in procurement and the growing delegation of procurement to managers, (often under- or un-trained in the subject) and it is obvious that things can go wrong.

Consider these examples:

- ★ *A member of staff makes weekly purchases from the same company, each one under the limit for quotes or tenders ; taken together, the spend amounts to around £150K over a four year period – well in excess of the organisation’s tender limit.*

- ★ *An organisation requires a full tender process for the purchase of a service valued at under £5K; as a result, suppliers, who would have charged around £2K for the service decline to tender; the organisation ends up spending £5K on the service and having the cost of undertaking a full tender process.*

Another key element of the process is monitoring the tender, to check that the product or service is as specified. I have discovered, however, that it is common for this process to be 'forgotten', perhaps due to a cut in staffing or lack of awareness. Whilst the first order of toner cartridges provided by "Tony's Toners" are top quality, the third and fourth order are refurbished cartridges, acquired at a fraction of the cost with Tony happy to pocket the difference. Who checks this? Will anyone pick up on this and if it is detected, what is done?

A recent snap poll I undertook showed that of the six authorities asked, only one had ever been involved in a procurement fraud. The case was ultimately dealt with by the audit department, which had a total of zero trained fraud investigators, and the case went nowhere.

We're also seeing a growth in the number of external companies providing 'a procurement service' actually increasing the cost to Local Authority, without adding any value.

Given that it is obvious that all corporations (whether public or private sector) are being seen as likely targets, it is a real shame that more is not being done to educate staff, and to secure and investigate this area. Procurement fraud, contrary to all the evidence and advice, appears often to be deemed to be 'not an issue' and has become an area to which many authorities are shutting their eyes.

Greg Braysford

Consultant

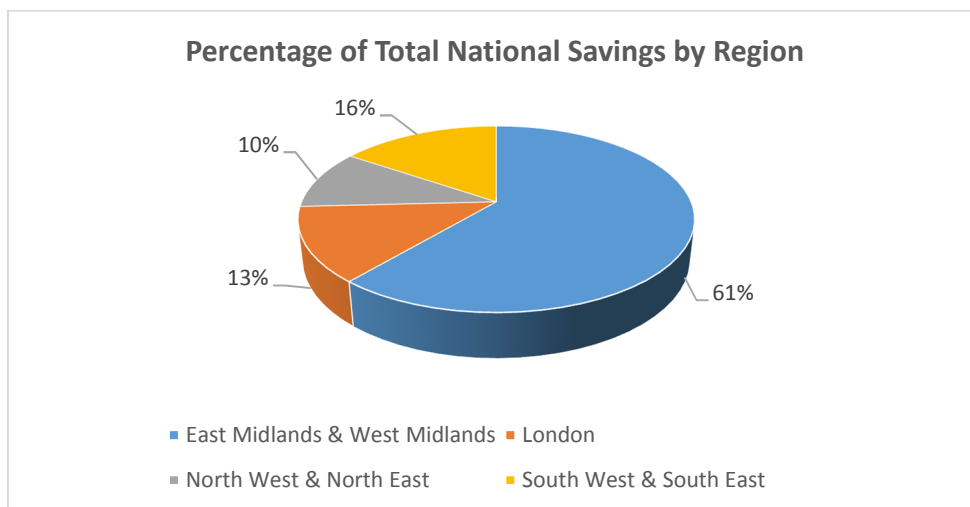
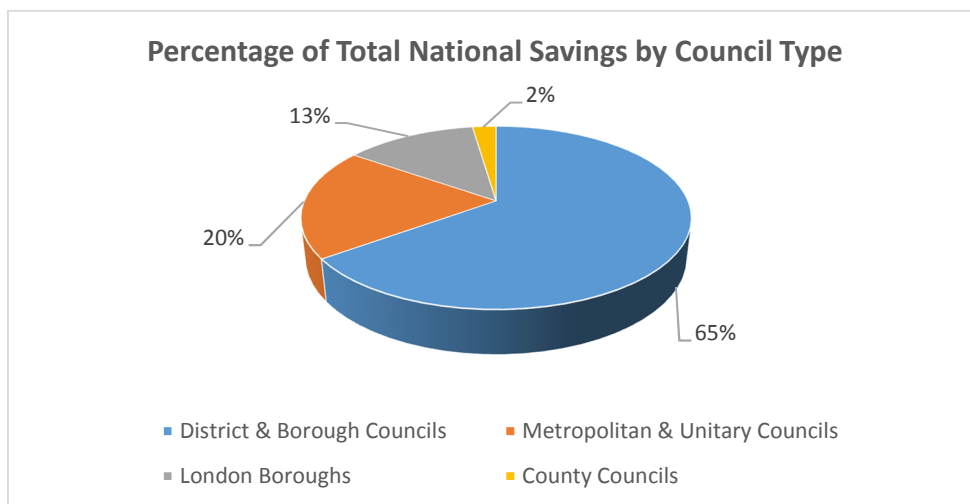
Gov.Uk stated that in 2015/2016, English authorities had a "Net Current Expenditure" of £111,689,388. Based on our figures, this would suggest that 3% of fraud was detected with the Net Current Expenditure.

Reported Procurement Fraud cases increased by 94%

67 cases were reported, a 94% increase, with a value of £3,850,000 which is an increase of 40%.

An estimated 85% of authorities have not investigated Procurement Fraud.

The average number of investigations is 2.7 per authority with the average values of procurement investigations as:



- ★ The average number of investigations is 2.7 per authority
- ★ 67 cases reported – 94% increase with a 40% increase in value at £3,850,000.
- ★ 85% of Local Authorities did not report Procurement Fraud cases during 2015/2016

Average return (by Type of Authority):

Authority Type	Approximate Value
District & Borough Councils	£ 187,800
Metropolitan Borough & Unitary Councils	£ 28,400
London Boroughs	£ 150,000
County Councils	£ 5,400

Average return (by Region):

Region	Approximate Value
East Midlands & West Midlands	£ 117,900
London	£ 150,000
North West & North East	£ 29,700
South West & South East	£ 25,600

- ★ County Councils reported a vastly lower average value of investigation at £5,400.

Insurance Fraud

Foreword – Mike Neumann

Chief Executive Officer – ITS Training

Mike is the Chief Executive Officer of ITS Training – a company that has been at the forefront of corporate investigation training for many years. The company has provided training on Insurance Investigation and Insurance Fraud Prevention to Local Authority insurance teams and investigators, and to commercial insurance companies. Mike is a regular speaker at counter-fraud conferences and seminars nationally. He is a fellow of the Institute of Training and Occupational Learning and has been involved in fraud prevention and detection for over thirty years.

There's been considerable press coverage, over last few years, surrounding the growing slip and trip culture (and, in particular, the impact this has had on the retail sector). Insurance professionals will tell you that this is just the tip of an iceberg and that the industry as a whole is susceptible to fraud – from false vehicle incidents through claims for damaged property to accidents at work. Public sector is no less vulnerable to this type of fraud.

One problem that we see, throughout this risk area, is the historic tendency for Local Government to assume a significant part of the risk by often carrying significant levels of excess.

In the main, however, there tends to be little or no claims investigation internally, with what is done being confined to claims management; insurers are commonly relied upon to carry out any investigation of suspected frauds.

Insurance professionals will tell you that this is just the tip of an iceberg and that the industry as a whole is susceptible to fraud

The other issue is that, in common with the entire insurance sector, there tends to be a 'cost – benefit' approach to investigating suspicious claims ; given the cost of investigations compared to the often relatively low value of claims, it is often deemed to be 'better' to pay the claim than to 'waste resources' on an in-depth investigation. Unfortunately, the public know that this is the case, which only raises the sector's vulnerability.

Finally, in common with all work areas in the public sector, staffing levels are low. Given the strict 'Woolfe' timescales on claims management, this exacerbates the issue as it tends to place the focus on dealing with claims quickly.

Some of the common scams we have seen are:

- ★ *staged accidents being used to generate a claim ('slip and trip')*
- ★ *a genuine injury being toured around a number of local authorities, each of whom are then subject to a claim*
- ★ *vehicular damage, for example to suspension, being blamed on a convenient pot-hole*
- ★ *a small water leak managing to soak and damage every item in a social tenant's home*
- ★ *members of staff claiming for injury at work caused by a failure to follow safety rules*

Clever fraudsters will keep claims low, typically under £1,000, knowing that there is a fair chance that it will be deemed cheaper to pay them than it is to investigate the claim.

and

- ★ *false allegations of damage to vehicles caused by council vehicles. (A common one is the old refuse truck clipping your car...)*

Clever fraudsters will keep claims low, typically under £1,000, knowing that there is a fair chance that it will be deemed cheaper to pay them than it is to investigate the claim.

In common with all frauds, prevention is key, and a key part of prevention is the occasional very public prosecution of those who attempt to rip us off. In order for that to happen, Authorities need the services of a professional investigation team that is able to follow the rules for criminal investigation. It is simply not possible to rely on the police, they do not have the resources to investigate and prosecute what they see as low level frauds.

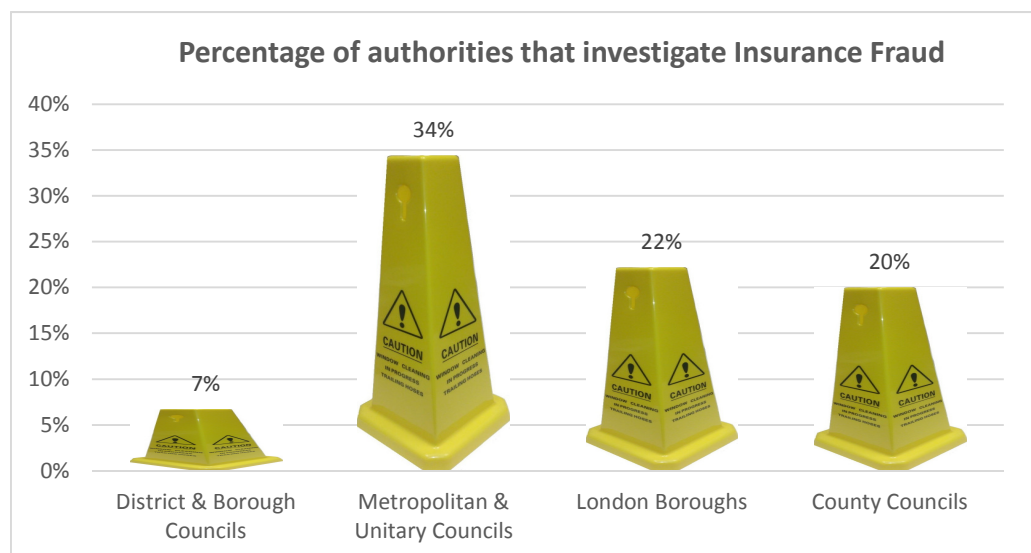
Mike Neumann
Chief Executive Officer

Insurance fraud is another emerging threat (as mentioned previously).

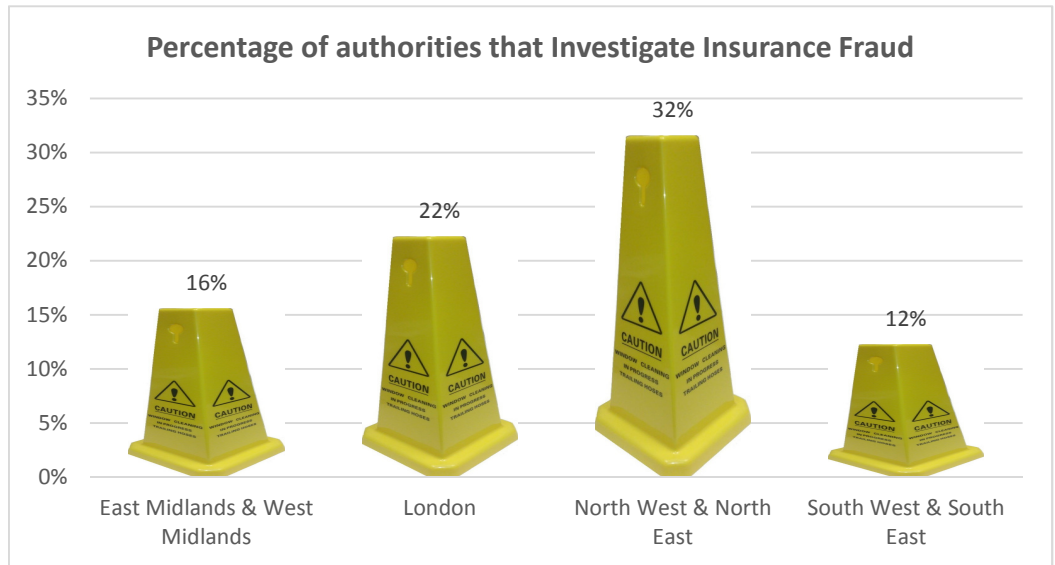
780 reported cases with an estimated valued of £7.5m were reported this year.

This is a 63% increase in the number of investigations with a 23% decrease in the value.

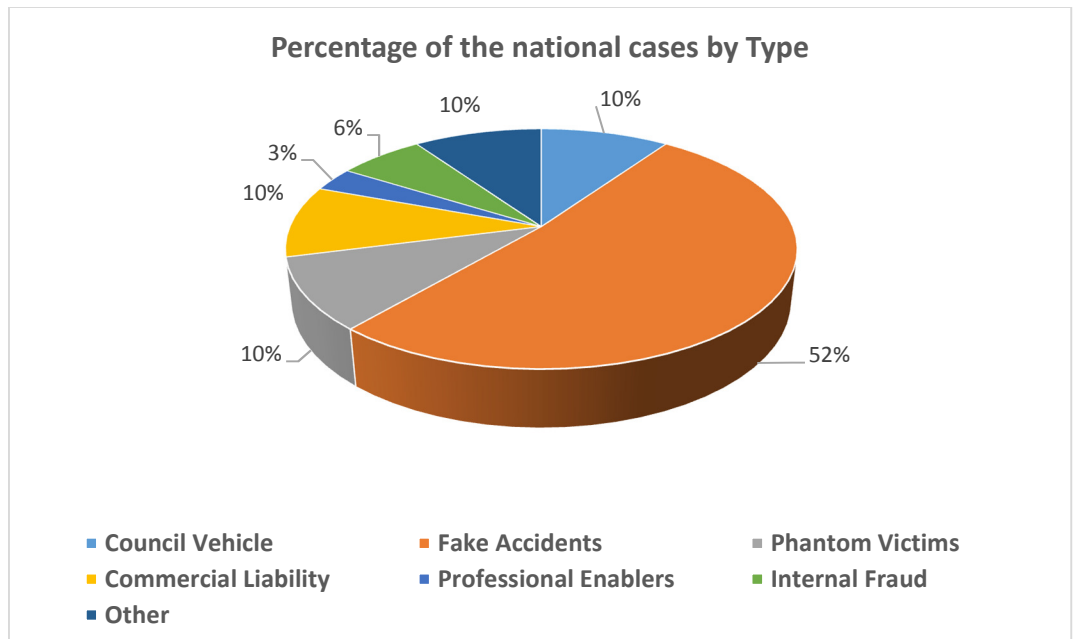
By Authority Type



By Region:



Types of Insurance Cases



On the figures estimated, the average cost of an insurance investigations is:

Average return (by Type of Authority):

Authority Type	Approximate Value
District & Borough Councils	£ 44,600
Metropolitan Borough & Unitary Councils	£ 106,300
London Boroughs	£ 398,500
County Councils	£ 172,000

Average return (by Region):

Region	Approximate Value
East Midlands & West Midlands	£ 44,300
London	£ 398,500
North West & North East	£ 237,000
South West & South East	£ 15,000

- ★ London remains the highest value in terms of savings in Insurance Fraud.

Case Study (5) – Leicester City Council



Insurance Fraud – Liability Claim

Miss Monika Hazy Liability Claim due to fall & injury to her foot

A claim was made to Leicester City Council obtain payment of up to £25,000.00 in settlement of a claim for a broken left foot due to a trip and fall at the entrance of Local Park near the claimant's home address.

Leicester City Council's Risk Management Services received a Public Liability Claim Form a solicitors firm representing the claimant seeking compensation up to £25,000 as a settlement for a broken left foot which they claimed was as a result of tripping on a paving slab and the asphalt surface near a public park.

The application indicated that the claimant had attended the Leicester Royal Infirmary to seek medical attention. No other injuries were mentioned that would be consistent with the type of fall indicated.

Social media checks were conducted & Facebook entries show the claimant stating to her friends that she had a slip down the stairs due to the fact she was in a rush. The claimant had also requested on Facebook details of any personal injury companies her friends may be aware of.

During the course of the investigation, records were obtained from the University Hospitals of Leicester East Midlands Ambulance Service (EMAS) which showed an incident statement that the patient had been running to the shop and inverted her left ankle, she subsequently hobbled back home. The Emergency Department attendance records were also consistent with the injury being due to running and tripping.

A transcription of the emergency call made to East Midlands Ambulance was also obtained. The transcription showed that the request was made by the Police as they had attended an incident at the claimant's home. A copy of the emergency call incident report was obtained from Leicestershire Police. The report showed that the Police were called due to a domestic incident on the same day.

Photographic evidence obtained of the park entrance, the position of the park gates also lead to doubts that the injuries were as a result of the incident described in the claim.

The claimant's Solicitors ceased to represent her due to the investigation and the evidence obtained.

Leicester City Council were successful in obtaining a formal caution on 11 May 2016 against the claimant following the fraudulent claim.

Stuart Limb

Corporate Investigation Manager

Director of Finance (Section 151 Officer) Alison Greenhill said:

Leicester City Council has a zero tolerance policy to fraud. Whilst councils face continuing financial pressures they must remain vigilant and resourced to prevent and detect fraud. At Leicester we have created a specialised fraud team with wide-reaching powers to investigate and prosecute fraudulent activity. We actively publicise successful prosecutions such as this to get the message out that we will not tolerate this behaviour and that we will, in all cases, prosecute.

Social Care Fraud

Personal Budgets (aka Direct Payments) are offered by your local authority to give more flexibility over how care and support is arranged and provided. Personal Budgets enable people to purchase the assistance or services that the Council would otherwise provide and are designed to promote; Independence, Choice and Inclusion.

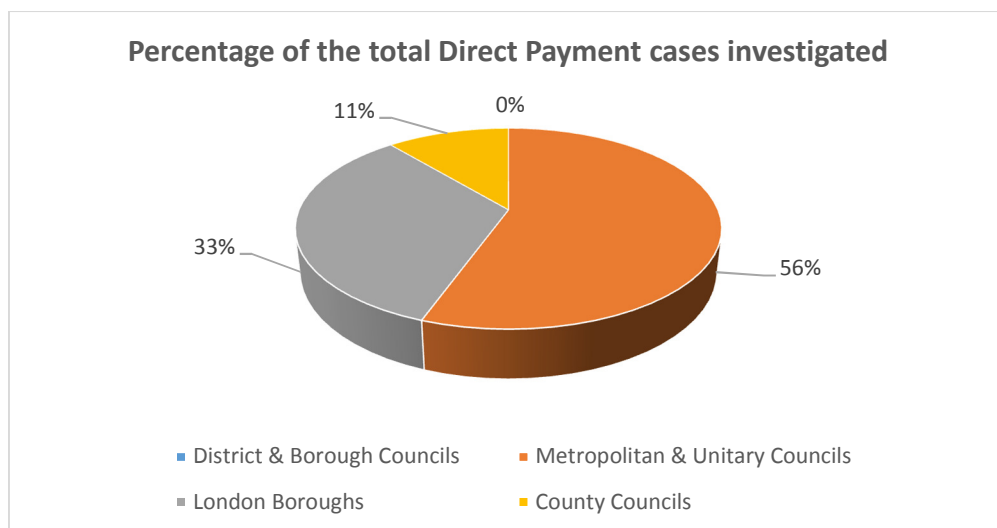
Personal budgets can be paid to the individual, family or friend as a direct payment, or can be managed on the individual's behalf by the local authority or another organisation such as a care agency or user-controlled trust.

Unfortunately greater freedom also brings greater risk, not only to the individual but to public funds.

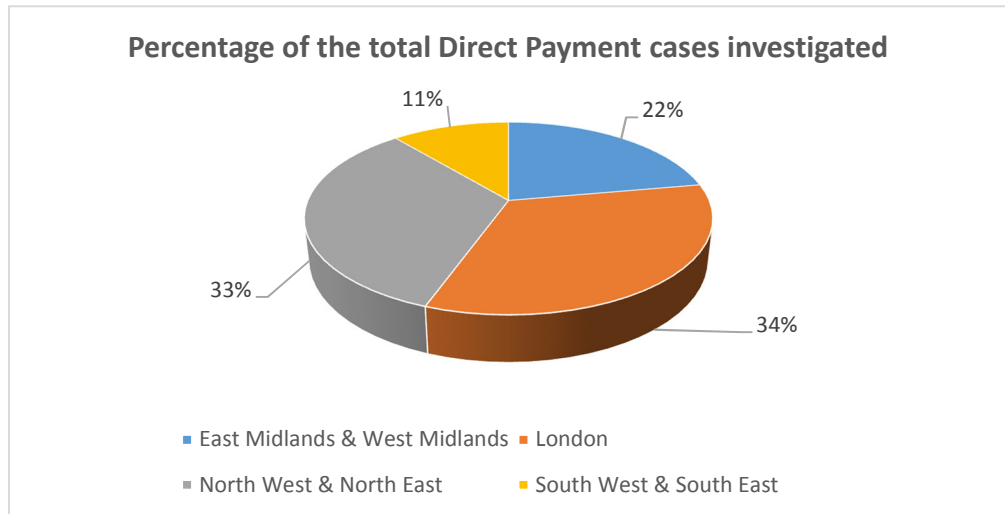
The high risk areas are;

- ★ false claims or overstatement of needs
- ★ budget mismanagement
- ★ Multiple claims across Authorities and
- ★ Posthumous continuation of claim.

By Council Type

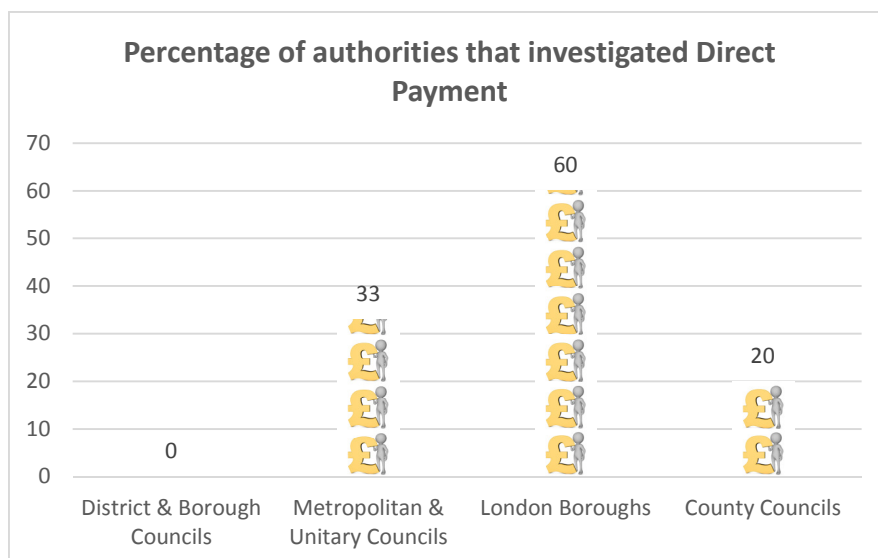


By Region

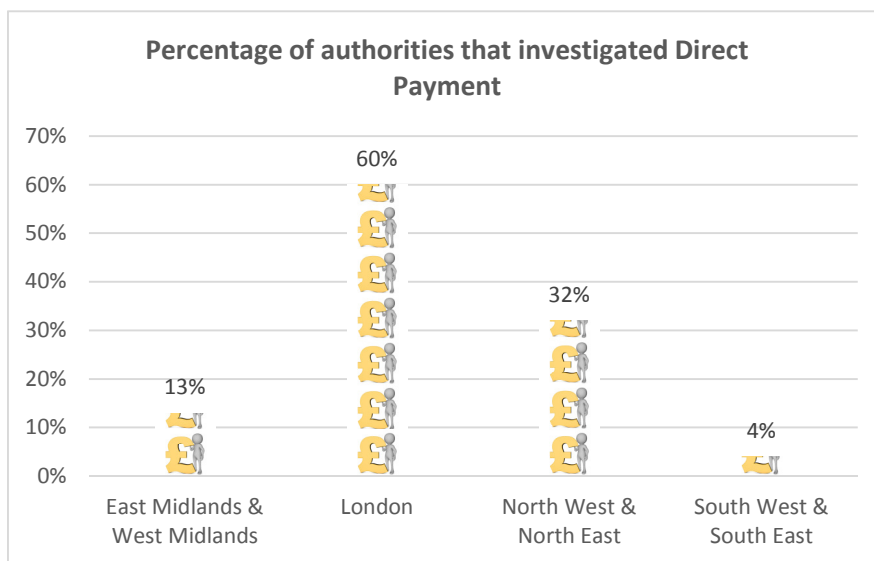


- ★ London and the North of England share almost equal percentages
- ★ The South and Midlands make up the remaining third
- ★ Just over 10% of investigations were received from the South of England

By Council Type



By Region



- ★ London appears to be leading the way with 60% of their authorities investigating Direct Payment.
- ★ The South of England reported 4% of Direct Payment Investigations.

Case Study (6) Birmingham City Council



Social Care and Direct Payment

Proactive work identifies online Gambler using Direct Payment

Birmingham City Council undertook a proactive exercise that data matched recipients of Direct Payments to individuals on its social care system who were recorded as being their carer. The main purpose of the exercise was to identify any instances where carers were family members living with service users, contrary to Direct Payments guidelines.

During the course of the exercise, through a review of case notes, it was identified that a service user had contacted social work staff to inform them that they had spent over £6,000 of their Direct Payments on online gambling.

A review of bank statements for the Direct Payments account confirmed that the amount stated had indeed been removed, but also identified that the service user had previously taken other monies from the account but had subsequently paid it back in. Paperwork provided by the service user showed that monies removed and not paid back went through at least two other accounts, were mixed with other monies, and the audit trail of how exactly it was spent was effectively lost.

This led to concerns about if, and how, the service user had managed to pay for their care given the misuse of over £6,000 as well as concerns that their care needs were actually as great as had been originally assessed. Attempts were made to speak to the named carers but none of them responded to requests to attend an interview.

Steps were taken to recover the money that was confirmed as being misused by the service user and management of the Direct Payments account was taken out of their hands

Neil Farquharson
Group Auditor

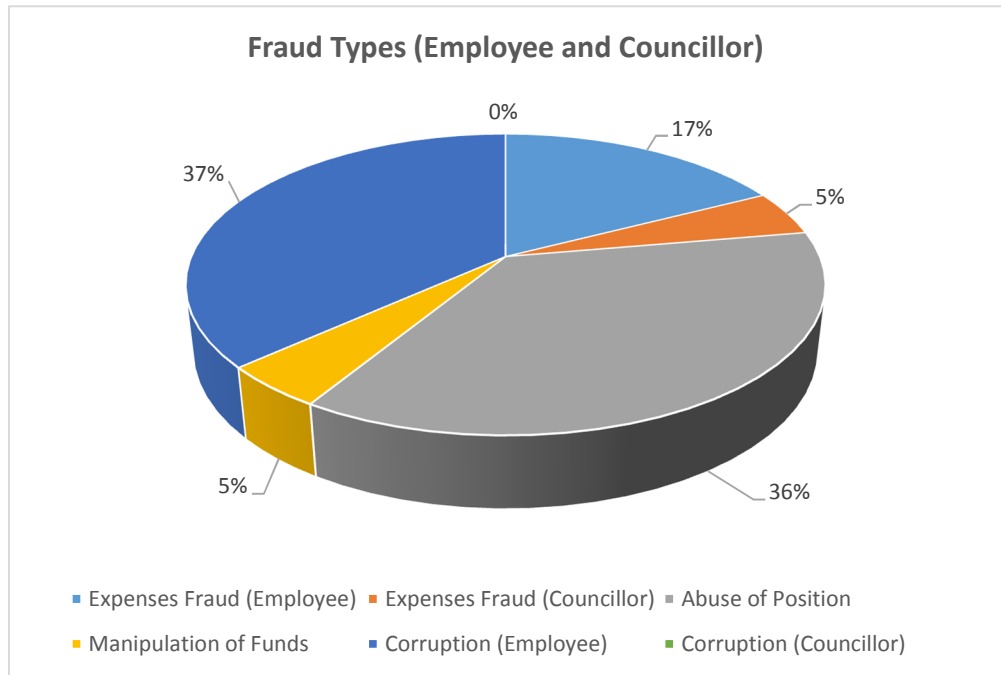
Councillor/Employee

Councillor or employee fraud occurs when a member of staff wrongfully fails to disclose information, dishonestly makes false representation, or abuses a position of trust for personal gain, or to cause loss to others.

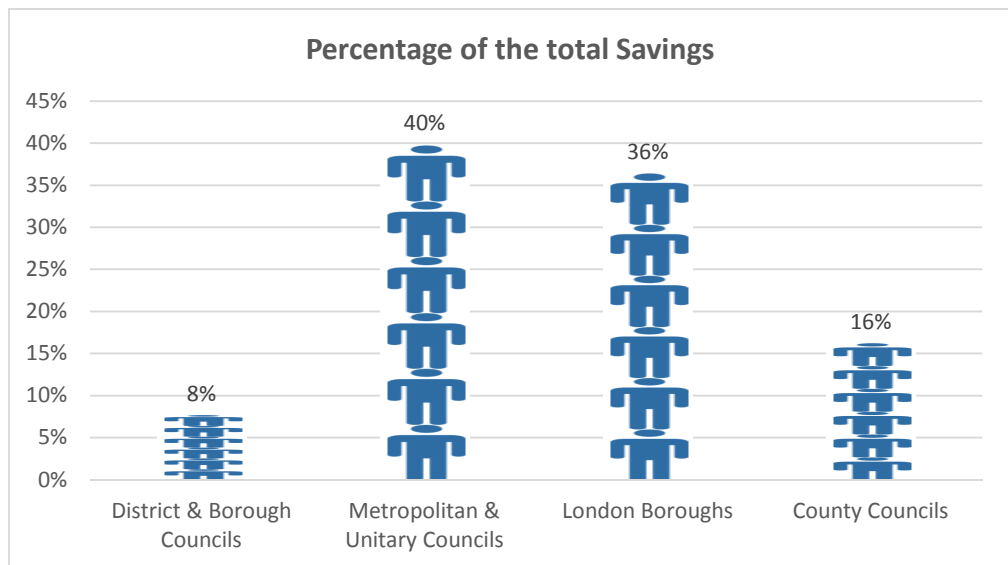
A fifth of Local Authorities reported Councillor or Employee fraud cases.

Corruption by Council Staff (37%) was the main type of Employee and Councillor Fraud followed by Abuse of Position (36%). These two categories alone counted for almost 75% of the report cases.

The total breakdown is as follows;

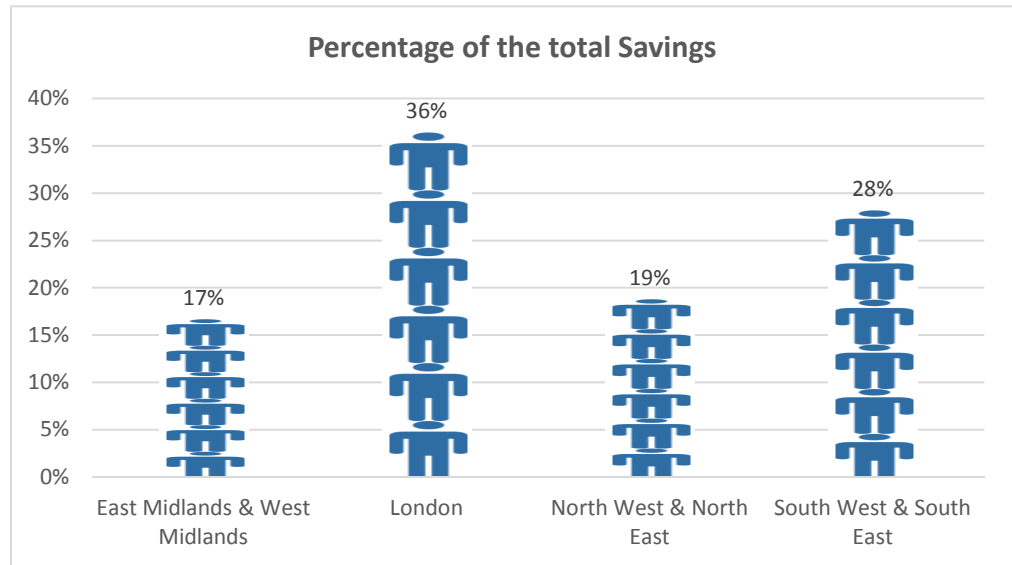


By Authority Type:



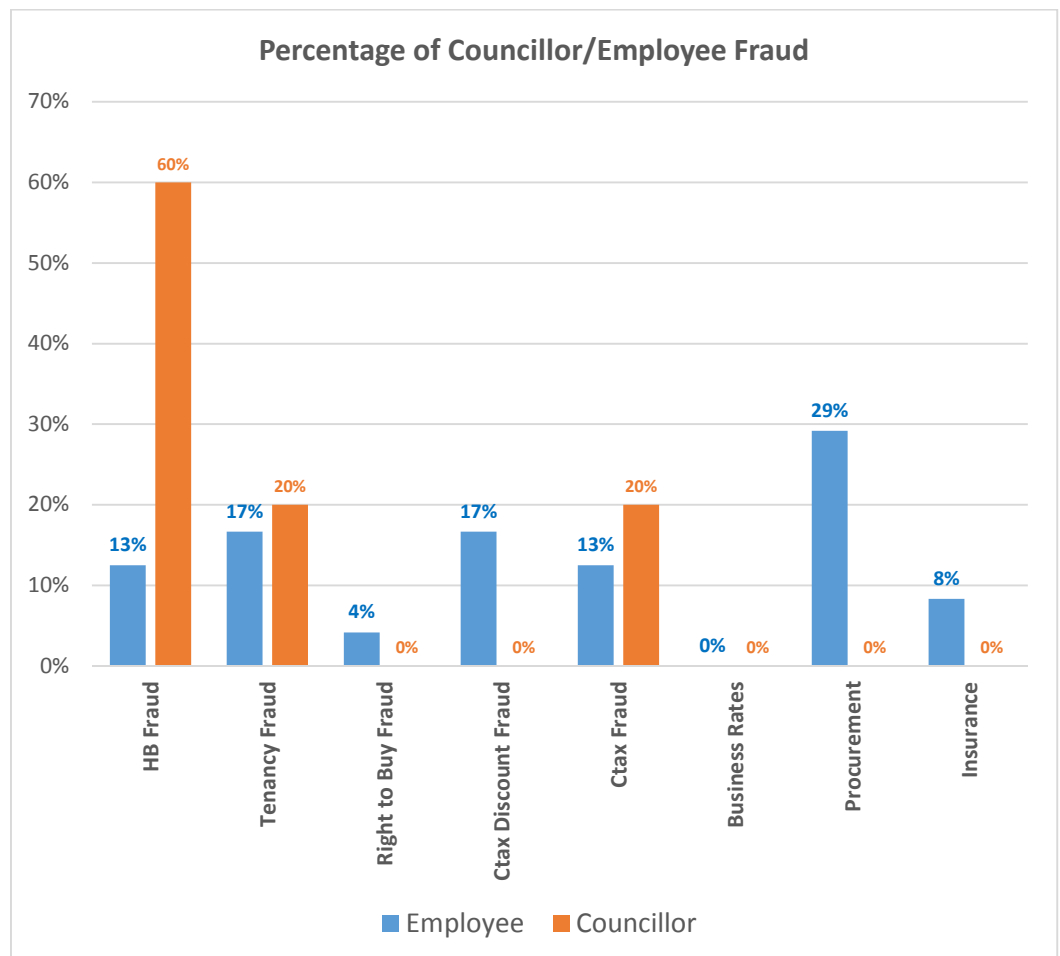
76% of all savings generated were reported by Metropolitan, Unitary and London Boroughs. NB: Unfortunately a number of Local Authorities were unable to attribute a savings value to this area of work.

By Region:



London are highest with 36%. Closely followed by the South of England 28%.

The graph below shows the most common types of Councillor/Employee fraud investigated;



22% of authorities reported Employee fraud. Only 5% of authorities reported Councillor Fraud in these areas.

- ★ Procurement fraud accounted for 29% by employees.
- ★ 60% of fraud committed by councillors was within Housing Benefit
- ★ 52% of the total value was found within Procurement fraud.

Other Fraud Areas

Other Reported Frauds accounted for an estimated £10,300,000 and approx. 2,300 investigations.

These included;

- ★ Blue Badge Fraud
- ★ Bank Mandate Fraud
- ★ School Admissions

Many authorities reported just 1 or 2 cases. However they attributed high value savings.

Regionally, there is an even split in the number of these investigations.

The most proactive authorities are Metropolitan & Unitary authorities.

Regionally the North of England report 50% more than any other region.

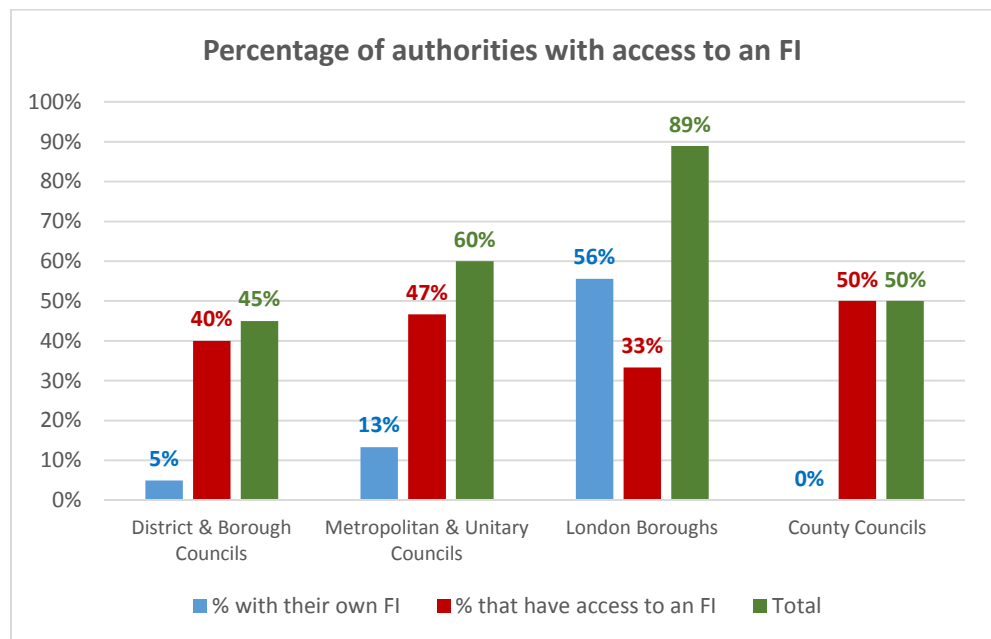
Working Practices

This section covers some of the variation in Local Authority investigation services, their working models and practices.

This includes shared service, partnership working and financial investigations (POCA - Proceeds of Crime Act).

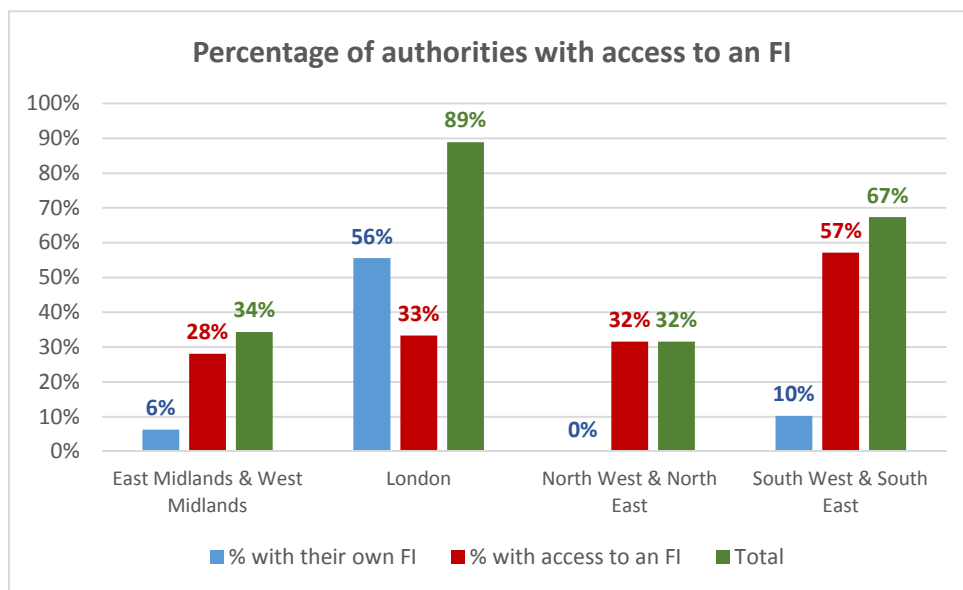
Financial Investigations (FI)

Authority Access



- ★ Nationally 11% of LAs have a financial investigator.
- ★ 42% have access to a financial investigator through shared services and joint working.
- ★ County Councils do not appear to have their own financial investigators.

Regional Access



- ★ 90% of London boroughs have access to a financial investigator.
- ★ The graph above implies that authorities in the North of England do not have their own Financial Investigator. (TEICCAF do not believe this figure to be zero, this is merely an indication that very few northern authorities have access to a Financial Investigator)

Only 25% of authorities could attribute savings or recoveries. Does this suggest that the savings have been applied elsewhere? Or that there are still ongoing legal ramifications from this work.

TEICCAF strongly recommends all authorities to actively seek access to a financial investigator.

Legal Services

75% of authorities have an in-house legal team. County Councils have 100% access to their own legal resources.

32% of authorities with in house legal teams also use external legal providers.

A small number of authorities surveyed, (4%), reported a limit on the number of cases referred to legal teams. This will obviously have an impact on the number of prosecutions. Cost implications may increase when using external providers.

Successful prosecution broken down by fraud types are as follows;

- ★ 1st – Other 34% (HB, Direct Payments, Personal Budgets & Schools)
- ★ 2nd – Tenancy Fraud 26%
- ★ 3rd – Council Tax 14%

Housing Benefits is the largest source of investigations, forming 88% of prosecutions.

Partnership Working and Shared Services

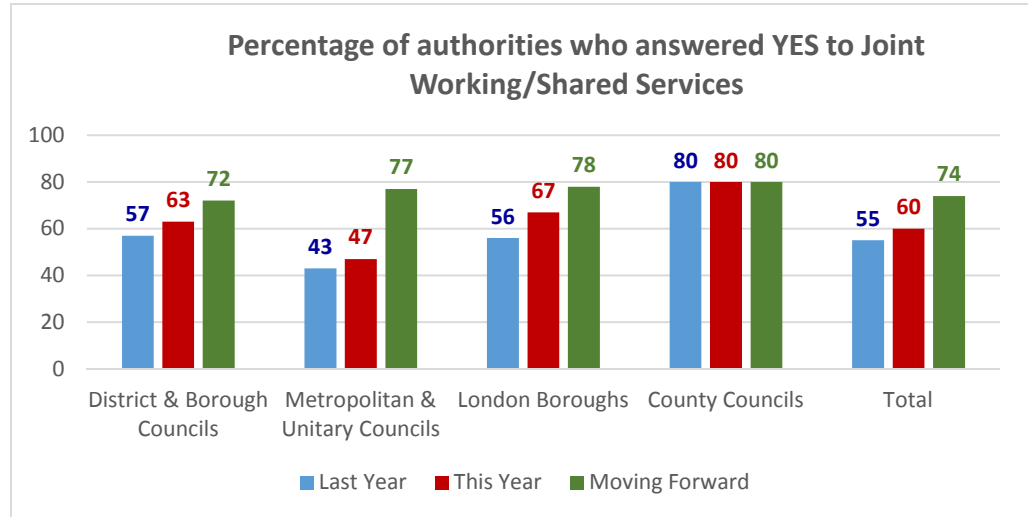
With the ever increasing demand on fraud resources and the significant fall in the number of investigators, the importance of partnership working and shared services has never been more relevant in this austere time.

As requested by our members we asked the following 3 questions;

- ★ Were you involved in partnership working and/or shared services last year?
- ★ Are you involved in partnership working and/or shared services this year?
- ★ Would you wish to be involved in partnership working and/or shared services moving forward?

The results were as follows;

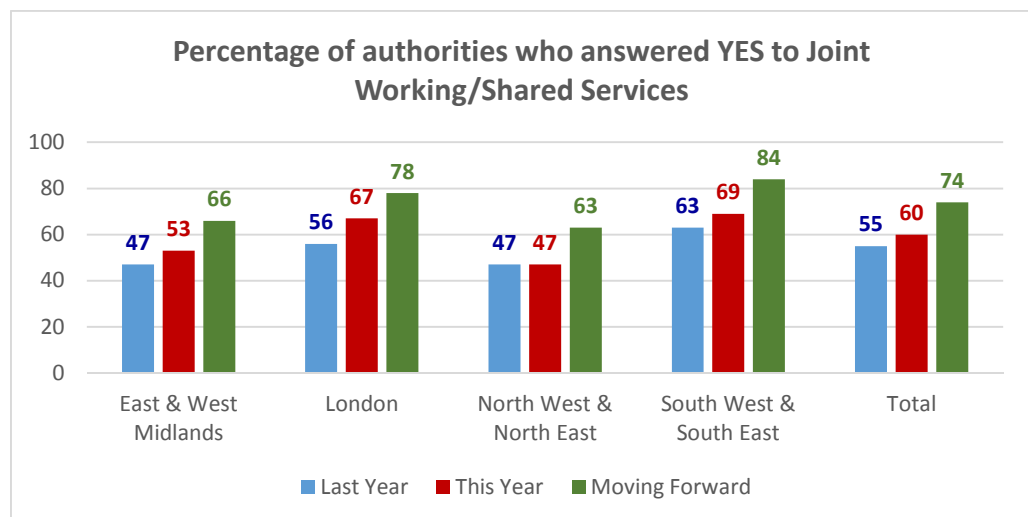
Breakdown by Authority Type



Joint working has again increased to an estimated 55%. If this pattern continues this will rise to 74% next year.

Most of the authority types follow the national pattern, with the exception of Metropolitan and Unitary councils. However, it is clear to see that they too believe there is much to be gained from working together in the future.

Breakdown by Region



Regionally the pattern is similar with most regions showing a significant interest in joint working.

Recommendations – Check List

Once again we would like to thank everyone who has contributed to our report this year. From this research and through working with public and private sector partners, including leading experts in the specific fraud areas and high performing authorities from across the country we have developed this checklist.

PEPP – Recommendations or Check List

Description	Tick as appropriate
Every local authority undertakes an assessment of its financial irregularity, fraud & corruption risk	<input type="checkbox"/>
This assessment is reported to its senior management board and members. The assessment must be included in the authorities risk management process and the responsibility of the appropriate portfolio holder.	<input type="checkbox"/>
An annual response plan is created to mitigate the identified risk and should include; <ul style="list-style-type: none"> ★ Prevention ★ Detection ★ Redress 	<input type="checkbox"/>
Ensure that proportionate resources are in place to meet the requirements of the response plan.	<input type="checkbox"/>
Professionally trained, accredited investigators will require appropriate knowledge/training in all areas of identified risk throughout the authority.	<input type="checkbox"/>
Compile a programme of both proactive and reactive work in line with the identified risk.	<input type="checkbox"/>
Ensure you have appropriate and proportionate defences against new and emerging risk.	<input type="checkbox"/>
A Counter Fraud and Corruption policy is required and reviewed annually. This must be communicated to the whole authority.	<input type="checkbox"/>
Fraud awareness sessions for all staff delivered, at least annually.	<input type="checkbox"/>
The Investigations team keeps adequate records and frequently reports to senior management on its work and findings.	<input type="checkbox"/>
Any identified areas of weakness must be highlighted and reported to each department.	<input type="checkbox"/>

The closure of the Audit Commission has meant that local authorities are not required to report committed cases of fraud.

TEICCAF recognises this is a huge area of weakness and has therefore continued the Protecting the English Public Purse survey to help develop and promote the need for proportionate resources to mitigate the risk.

As local authorities are self-regulating in respect of financial risk and fraud, TEICCAF recommends you assess your level of risk & identify areas of weakness. Once these have been identified, only then can you ensure you have the appropriate resources to mitigate the risk.

Your process needs to be transparent and reported to your senior management team and councillors. You should be able to demonstrate to your tax payers that you are indeed Protecting your Public Purse!

References:

- ★ Protecting the English Public Purse 2015 (TEICCAF)
- ★ Fraud Landscape Review 2016 (National Audit Office)
- ★ Annual Fraud Indicator 2016 (University of Portsmouth)
- ★ www.gov.uk
 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/491463/List_of_councils_in_England.pdf
 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445085/150714_Revised_Council_Tax_Stats_Release_July_2015.pdf
- ★ NFI – Fraud Report (November 2016)

Acknowledgements:

- ★ **David Magor OBE** – Chief Executive (IRRV)
- ★ **Michael O'Reilly** – Counter Fraud Manager (London Borough of Lambeth)
- ★ **Cllr Paul McGlone** – Deputy Leader (London Borough of Lambeth)
- ★ **Mike Pinder** – Head of Audit & Risk (London Borough of Southwark)
- ★ **Cllr Fiona Colley** – Cabinet Member for Finance, Strategy & Performance (London of Borough of Southwark)
- ★ **Ian Scarrett** – Counter Fraud Lead (Sandwell MBC)
- ★ **Cllr Steve Eling** – Leader of the Council (Sandwell MBC)
- ★ **Janet Alexander** – Professional Services Manager (IRRV)
- ★ **Scott Warner** – Investigations Manager (Oxford City Council)
- ★ **Nigel Kennedy** – Head of Financial Services (Oxford City Council)
- ★ **Greg Braysford** – Consultant (ITS Training)
- ★ **Mike Neumann** – Chief Executive Officer (ITS Training)
- ★ **Stuart Limb** – Corporate Investigations Manager (Leicester City Council)
- ★ **Alison Greenhill** – Director of Finance (Leicester City Council)
- ★ **Neil Farquharson** – Group Auditor (Birmingham City Council)

Publication Sponsor

Finally we would like to thank the main sponsor of this year's report, INTEC for Business.

INTEC for Business are a market leading software provider that have been heavily involved in the public sector fraud arena for over 20 years. They have worked very closely with local authority fraud professionals and national organisations in combatting fraud and corruption.

INTEC's products portfolio cover case management, data hubs & data warehousing, smartphone apps and leading proactive tools for all areas of fraud prevention.

For more information on how INTEC can help your authority maximise income by reducing fraud, you can contact them on:

Telephone: 0161 776 4352

Email: info@intecforbusiness.com

Website: www.intecforbusiness.com



The European Institute for Combatting Corruption And Fraud

Tel: 0845 224 8521
Email: info@teiccaf.com
Web: www.teiccaf.com
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Audit and Risk Committee

13 March 2017

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

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Review and approve the following Council fraud related policies and procedures:
 - Anti-fraud and corruption policy and procedure
 - Whistleblowing policy and procedure
 - Anti-money laundering policy and procedure
 - Raising fraud awareness guide

1.0 Purpose

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

2.0 Background

2.1 The fraud related policies and procedures were last updated, reviewed and approved by the Audit and Risk Committee in March 2016. Since that time there have been no further changes.

The documents are as follows:

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

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendations in this report. (GE/26022017/C)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendations in this report. (TS/24022017/D)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers

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

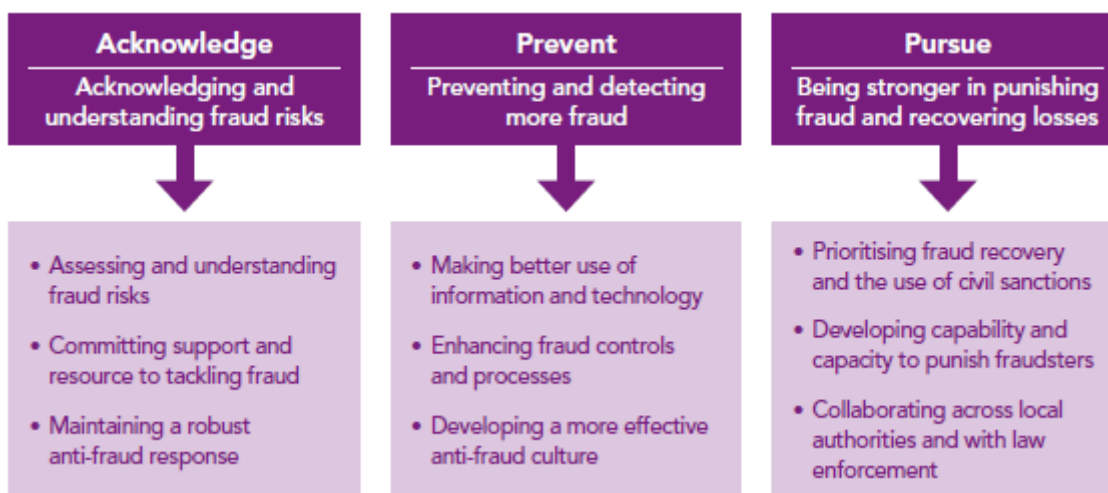
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Policy Statement

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

Links to the Council's corporate plan themes and aims

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



Introduction

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

What is Fraud?

For the Council's purpose fraud can be defined as the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain (this covers theft, false accounting,

bribery and corruption, deception, collusion, money laundering and identity theft). Examples of fraudulent activities include:

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

Consequences of Fraud

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

Culture

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

Responsibility

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

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

Employees

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

Senior officers

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

Director of Finance (Section 151 Officer)

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

Head of Audit

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

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

Councillors

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

External audit

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

Suppliers, contractors and external organisations

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

Other related documents

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

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

The Bribery Act 2010

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

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

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

details what is acceptable.

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

Training

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

Investigations

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

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

Referrals to the Police

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

Conclusions

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

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

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

Useful contact details

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



Fraud Hotline: (01902) 550550

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

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

Mark Taylor – Director of Finance (S151 Officer)

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

Kevin O’Keefe – Director of Governance/Monitoring Officer

Tel: (01902) 554910

e-mail: kevin.o’keefe@wolverhampton.gov.uk

The Council’s external auditors:

Grant Thornton UK LLP

Colmore Plaza

20 Colmore Circus

Birmingham

B4 6AT

(Tel: 0121 212 4000)

Public Concern at Work

3rd Floor

Bank Chambers

6 -10 Borough High Street

London

SE1 9QQ

(Tel: 020 7404 6609)

www.pcaaw.org.uk

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Policy statement

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

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

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

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

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

Whistleblowing concerns as distinct from grievances

Whistleblowing is where an employee has a concern about danger or illegality that has a public interest aspect to it. A grievance or private complaint is, by contrast, a dispute about the employee’s own employment position and has no additional public interest dimension.

Therefore, any issues surrounding an employees’ own contracts of employment, bullying or harassment, should be raised under the existing Council policies for these issues (copies of which can be obtained on the Council’s intranet site). Where issues involve potential cases of fraud, bribery or corruption, employees should also refer to the Council’s anti-fraud and corruption policy and procedure.

Aims of this policy and procedure

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

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

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

Who is covered by the policy and procedure?

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

Raising a concern

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

Public Concern at Work

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



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

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



Whistleblowing hotline: (01902) 550550

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

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

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer

Tel: (01902) 554910

e-mail: kevin.o'keefe@wolverhampton.gov.uk

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

Public Concern at Work (contact details above)

The Council's external auditors:

Grant Thornton UK LLP

Colmore Plaza

20 Colmore Circus

Birmingham

B4 6AT

(Tel: 0121 212 4000)

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

How will the Council respond?

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

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

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

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

If you would like an update or feedback following the raising of your concern, you will be told, where appropriate the outcome of the investigation. However, due to the legal obligations of

confidentiality the Council owes other employees, it might not be able to freely provide feedback on the outcome of any disciplinary action taken against another employee.

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

Reporting

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

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

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

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

Review of the whistleblowing policy and procedure

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

Introduction

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

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

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

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

Legal requirements

The Money Laundering Regulations 2007

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

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

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

The Terrorism Act 2000

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

The Proceeds of Crime Act (POCA) 2002

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

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

Which service areas may be affected by money laundering?

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

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

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

Establishing the identity of a new business relationship

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

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

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

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

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

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

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

Reporting suspected cases of Money Laundering

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

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

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

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

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

Mark Wilkes – Client Lead Auditor

Tel: (01902) 554462

e-mail: mark.wilkes@wolverhampton.gov.uk

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

Mark Taylor – Director, Finance (S151 Officer)

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer

Tel: (01902) 554910

e-mail: kevin.o'keefe@wolverhampton.gov.uk

Investigating and Reporting Money Laundering

How will the Money Laundering Reporting Officer investigate a disclosure?

The Money Laundering Reporting Officer will:

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

Record Keeping

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

Review of the Money Laundering Policy

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

Anti-Fraud and Corruption Policy Statement

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

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

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

What is fraud?

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

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

How fraud occurs

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

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

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

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

Example indicators of potential fraud in systems

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

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

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

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

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

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

do deal with the matter promptly. The sooner the problem is detected the sooner any damage

caused can be repaired.

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

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

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

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

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

do pass on any reasonable suspicion to someone in authority.

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

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

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

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

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

Investigating suspected fraud

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

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

Useful contact details

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



Fraud Hotline: (01902) 550550

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

Peter Farrow - Head of Audit Services

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

Mark Taylor – Director of Finance (S151 Officer)

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

Kevin O’Keefe – Director of Governance/Monitoring Officer

Tel: (01902) 554910

e-mail: kevin.o’keefe@wolverhampton.gov.uk

The Council’s external auditors:

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT
Tel: 0121 212 4000

Public Concern at Work

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

Audit and Risk Committee

13 March 2017

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

Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

- Following the introduction of Agresso, the Council now publishes its own spend data, instead of using a third party.
- The data is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- Since last reported to the Audit Committee in December 2016, there have been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. (GE//26022017/Y)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. (24022017/E)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

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