

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Regulatory
Venue Training Room - Ground Floor - 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 Jasbir Jaspal
Cllr Rupinderjit Kaur
Cllr Martin Waite

Conservative

Cllr Andrew Wynne

Independent Member

Mr Mike Ager
Mr John Humphries

Quorum for this meeting is two Councillors.

Information for the Public

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

Contact Dereck Francis
Tel/Email Tel: 01902 555835 or dereck.francis@wolverhampton.gov.uk
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Wolverhampton WV1 1RL

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

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies for absence**
- 2 **Declaration of interests**
- 3 **Minutes of previous meeting - 18 September 2017** (Pages 5 - 12)
[For approval]
- 4 **Matters arising**
[To consider any matters arising from the previous minutes]

DECISION ITEMS

- 5 **Annual Audit Letter and Grant Certification Work** (Pages 13 - 56)
[To receive from external auditors, Grant Thornton: the Annual Audit Letter for 2016/2017; the 2016/2017 Housing Benefit Subsidy Claim Certification Letter; and the Audit Progress Report and Sector Update]
- 6 **Strategic Risk Register and Strategic Assurance Map** (Pages 57 - 86)
[To update the Committee on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
- 7 **Internal Audit Update - Quarter Two** (Pages 87 - 94)
[To note the contents of the latest Internal Audit update]
- 8 **Audit Services Counter Fraud Update** (Pages 95 - 104)
[To note the latest Audit Services Counter Fraud update]
- 9 **Annual Governance Statement - Action Plan Update**
[To consider progress made in addressing the key improvement areas identified in the 2016-2017 Annual Governance Statement action plan] **[report to follow]**
- 10 **Internal Audit - External Assessment** (Pages 105 - 108)
[To receive an update on the Council's planned approach to undertaking an external assessment of its internal audit function]
- 11 **Payment Transparency** (Pages 109 - 112)
[To receive an update on the Council's current position with regards to the publication of all its expenditure]

12 **Exclusion of the Press and Public**

[To pass the following resolution:

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

13 **Audit Investigations Update** (Pages 113 - 116)

[To note the current position on the audit investigations]

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

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Attendance

Members of the Audit and Risk Committee

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

Employees

Emma Bland	Finance Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Lesley Roberts	Strategic Director - Housing
David Watts	Director of Adults Services
Mark Wilkes	Audit Business Partner

External Auditors – Grant Thornton

Mark Stocks
Nicola Coombe

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Councillor Andrew Wynne.
- 2 Declaration of interests**
There were no declarations of interests.
- 3 Minutes of previous meetings - 3 July 2017**
Resolved:
That the minutes of the meeting held on 3 July 2017 be approved as a correct record and signed by the Chair.

4 **Matters arising**

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

5 **Audited Statement of Accounts 2016/17**

Claire Nye, Director of Finance gave a brief introduction on the work over the last two months to certify the draft Statement of Accounts for 2016/2017 by the 30 June 2017 deadline set by the Accounts and Audit Regulations 2015.

Mark Stocks from the Council's external auditors, Grant Thornton, presented the report on the findings from their audit of the Council's Statement of Accounts for 2016/2017. He informed the Committee that the audit was substantially complete and he anticipated that an unqualified audit opinion would be provided in respect of the Council's Financial Statements subject to the outcomes of the remaining elements of audit work. Based on their Value for Money review work, it was also intended to issue an unqualified conclusion. An addendum to the auditor's report was tabled relating to Pension Guarantee, and how it was now proposed that this be dealt within the Statement of Accounts. The issue had arisen late in the day during the audit.

Councillor Christine Mills thanked Grant Thornton for their work over the year and for their candid feedback on what the Council was doing well and those areas requiring action and improvement. Mike Ager, Independent Member added that he was pleased to see the progress the Council had made compared to last year.

In response to questions Grant Thornton reported that:

- The risk area 'worklessness' identified through our Value for Money work was not an easy area to extract metrics for. Skill sets of people was equally valid as the one used. Progress had been made on this risk area but there was more to do across the whole West Midlands area. It is a complex issue. Where we see growth a lot of it is around what local authorities are doing so it is within the Council's gift to generate growth and to stimulate economic activity.
- This year had seen substantive change in the number of employees working on the Statement of Accounts and there had been support from elsewhere within the Council. It was hoped that the earlier deadline for completing the audit of the Council's Statement of Accounts for 2018/2019 would be achieved.
- There had been a typographical error in the original Statement of Accounts related to Teachers Pension Scheme.
- The words 'available for sale' was an accounting term. It did not mean that specific assets were for sale.

Regarding the deadline for certifying the draft Statement of Accounts for 2017/2018, the Director of Finance reported that she was confident with the measures in place to meet the earlier deadline. A lot of automation work to prepare for next year's audit was taking place. Support was also available from the Strategic Executive Board and other employees within the Council.

In response to Mike Ager, Independent Member, it was confirmed that there would be a follow-up on the action plan arising from the audit of the Statement of Accounts for 2016/2017.

Emma Bland, Finance Business Partner added that the issue highlighted from the review of internal controls in relation to information security policies and procedures would be reviewed. The deadline for completion of the reviews was May 2018.

Resolved:

1. That the formal publication of the 2016/2017 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 30 September 2017 be approved.
2. That authority be delegated to the Chair of the Audit Committee to agree subsequent changes to the Statement of Accounts in consultation with the Director of Finance should there be any audit adjustments.
3. The 2016/17 report to those charged with governance from the Council's External Auditors, Grant Thornton be noted.
4. That it be noted that the Council's external auditors intend to issue an unqualified opinion on the Statement of Accounts 2016/17, subject to the outcomes of remaining elements of audit work.
5. That it be noted that the external auditors have identified no material errors which are expected to remain unadjusted in the amended Statement of Accounts.
6. That it be noted that the Management Representation letter had been finalised and would be signed by the Director of Finance on behalf of the Council.

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

Lesley Roberts, Strategic Director for City Housing updated the Committee on risk 27, Safety Concern around the City's Tower Blocks, and on issues that had moved on since her report at the previous meeting.

In response to questions, Strategic Director reported that:

- Decisions on whether to implement any likely changes that might arise from the Grenfell Enquiry in advance of the publication of the Government's reports and recommendations, would be made collectively. Where the Council's highrise blocks are scheduled for work it would be sensible to anticipate the contents of the Government's report. In terms of the rest of the housing stock, a measured approach would be taken on what work we do.
- The 'stay put' policy, had served the Council well over the last dozen years. West Midlands Fire Service want to maintain that policy. We will await to see if there is a concerted approach coming out of the Enquiry on this issue.

David Watts, Director of Adults Services reported on risk - 21, Transforming Adult Social Care (TASC) Programme and on the work being undertaken during 2017/2018 to support the transformation of adult social care and meet savings targets included in the Council's medium term financial strategy. In response to questions the Director reported that:

- Home visits to elderly people had not stopped with the introduction of the Promoting Independence programme. As part of the programme the Service has been working on a robust community offer. The approach was to say to older people, how do we help you overcome the barriers that stop you from being involved in your community or to do the things that you used to do, rather than just providing home visits.

- The risk had been rated prudently. The financial savings target was challenging and the plans to achieve it relied on factors outside the Council's control. It was therefore difficult to downgrade the risk at this time. The current position and approach to delivering the savings was regularly reviewed with the Audit team.
- Capacity existed within the city to respond to referrals from private care providers, although there had been some exiting from the domiciliary care market. The Council had recently increased the hourly rates for domiciliary care services and introduced the Wolverhampton Wage. Monitoring of domiciliary care provision funded by the Council was delivered through the Commissioning Contractor Department within the Quality Commissioning Team (QCT) and by the QCT in the Clinical Commissioning Group. The Service also regularly met with the Care Quality Commission. People in receipt of Council funded domiciliary support also received an annual review. Wolverhampton HealthWatch would also perform health visits to people's homes. The Service also relied on the eyes and ears of council employees and councillors for intelligence on monitoring of care provision.

Hayley Reid, Senior Auditor, gave a brief outline of the remainder of the report on the key risks the Council faced and how the Committee could gain assurance that the risks are being mitigated.

Councillor Martin Waite commented that the number of looked after children (LAC) was not reducing and remained static. From his discussions with council employees there was not a lot of scope for the Council's LAC population to reduce. He asked whether the rating of the risk should therefore be reduced. The Senior Auditor suggested that it was worth looking at the wording of the risk. She undertook to speak to Emma Bennett, Director of Children's Services. In response to the Chair she added that whilst the target had been achieved, it would remain on the risk register because LAC was a strategic programme. The risk could be reviewed to determine whether it should remain a strategic risk or a risk for the People directorate.

Mike Ager, Independent Member reported that the practice adopted by the Committee of calling in risk owners for a more detailed discussion on their plans to mitigate the risk and progress being made, was a valuable exercise.

In response to a further question, the Senior Auditor explained how the risks for each programme were tracked, and that in relation to risk 14 (School Improvement) the percentage of the city's schools classified as good was at 85%. The Council was reliant upon when OFSTED could carry out their school inspections.

At the end of the discussion the Committee agreed that risk 9 – City Regeneration be discussed in detail at the next meeting.

Resolved:

1. That the strategic risk register at Appendix A to the report be noted.
2. That the increase in the risk score for risk 9 – City Centre Regeneration, due to cost and programme control issues, relating to a small number of significant City Centre regeneration projects be noted.
3. That the reduction in the risk score for risk 26 – Community Cohesion, due to the reduction in the likelihood of an incident occurring be noted.

4. That the main sources of assurance available to the Council against its strategic risks at Appendix B to the report be noted.
5. That risk 9 – City Regeneration be considered at the next meeting and the risk owner be invited to attend.

7 **Internal Audit Charter - Annual Review**

Peter Farrow, Head of Audit, presented for review and approval the internal Audit Charter. No changes had been made to the document since it was last updated in September 2016.

Resolved:

That the Internal Audit Charter be approved.

8 **Internal Audit Update - Quarter One**

Pete Farrow, Head of Audit presented the report on progress made against the 2017-2018 internal audit plan and on recent work that has been completed.

In response to a request for an update on the audit work at St Patricks Primary, the Head of Audit reported that, at the request of the School's newly appointed Head Teacher, the Audit Team carried out a wider review than it would normally perform for a school. The work uncovered some practices against which recommendations were made and an action plan produced and agreed. A follow up visit to the School would happen in early January 2018 to check that the recommendations had been actioned.

Mike Ager, Independent Member commented that it was pleasing to note from the report that where recommendations from audit reviews are not actioned the matter is escalated.

In response to the Chair, the Head of Audit reported that the issue identified from the audit of WV Active income and banking and e-returns was a scheduling matter and there was no missing income.

Resolved:

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

9 **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 June 2017. He also reported that it had been several years since the Council last received a request for information from the public (as an 'armchair auditor'). The public appeared to be receiving information through the submission of Freedom of Information requests rather than via armchair auditor requests.

Resolved:

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

10 **Audit Services - Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services. The report also contained a response to the request made at the previous meeting for an update on the current requirements relating to employee declarations of interests.

Councillor Harbans Bagri suggested that the requirement to disclose interests should not be restricted to senior managers or employees involved in contract decision making. There could be employees not involved in contract decision making who may have an interest that could be affected by aspects of their work. He also suggested that there should be a single employee interests register rather than an additional 'local interests' register maintained by managers. In response Peter Farrow, Head of Audit undertook to confirm the level/grade above which employees need to register any interests and at what level/grade employees would need to register interests in the local register.

The Chair commented that in his opinion the Council was in line with other local authorities in the way it asked its employees to register. He added from the information in the report and the verbal update from the Audit Business Partner, he was reassured that the Council was doing everything it should.

Councillor Mary Bateman referred to the latest series of the BBC One programme 'Council House Crackdown', which featured Wolverhampton Homes (WH) and its work on tackling social housing fraud across the city. She reported that WH and City of Wolverhampton Council were presented well in the programme.

Referring to the National Fraud Initiative (NFI) data matching exercise concerning Blue Parking Badges, Councillor Harbans Bagri asked how the Council was made aware of the death of a Blue Badge holder, to then recover the badge. The Audit Business Partner reported that it would be down to the bereaved family to return the badge. If they do not, the Blue Badge Service would not be made aware that the person is deceased and that the badge should not be in use. If the family of the deceased used the Tell Us Once service the Council would be made aware. The register of deaths does not belong to the Council therefore there was a potential Data Protection issue in releasing information.

Councillor Martin Waite informed the Committee that the Data Protection Act only related to living persons. He suggested that if the Act was being used as the reason for not confirming whether a person was deceased then advice from Legal Services should be sought.

Resolved:

1. That the contents of the latest Audit Services counter fraud update be noted.
2. That a note be included in the next counter fraud update report to the Committee on the grades above which employees are required to register any interests.

11 **CIPFA Audit Committee Update - Issue 22**

The Committee received the latest edition of briefings issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for audit committee members in public sector bodies. The latest briefing included: developing an effective Annual

Governance Statement; a briefing on current developments; and Audit Committee training.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 22 be received and 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 items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items, closed to public and press

13 **Audit Investigations Update**

Mark Wilkes, Audit Business Partner presented the report on the current position of audit investigations that had recently been completed. There were also a number of ongoing investigations on which further details would be provided once the investigations were done.

Resolved:

That current position with regard to audit investigations be noted.

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CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

11 December 2017

Report title	Annual Audit Letter and Grant Certification Work	
Accountable director	Claire Nye, Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Emma Bland	Finance Business Partner
	Tel	01902 553928
	Email	Emma.Bland2@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for noting:

The Committee is asked to note:

1. The 2016-2017 Annual Audit Letter from the Council's external auditors, Grant Thornton.
2. The Certification Work Letter from the Grant Thornton.
3. An Audit progress report and Sector Update from Grant Thornton.

1.0 Purpose

- 1.1 To update members of the committee on the 2016-2017 Annual Audit Letter from the Council's external auditors, Grant Thornton.
- 1.2 To update members of the committee on the outcome of grant certification work undertaken by Grant Thornton.
- 1.3 To update members of the committee on the Audit Progress Report and Sector Update from Grant Thornton.

2.0 Background

- 2.1 The Annual Audit Letter summarises the key findings arising from the work that Grant Thornton carried out at the Council for the year ended 31 March 2017.
- 2.2 Grant Thornton have already reported the detailed findings from their audit work to the Council's Audit and Risk Committee as those charged with governance in their Audit Findings Report on 18 September 2017.
- 2.3 Grant Thornton undertake work to certify the Council's Housing Benefit Subsidy Claim on behalf of the Department for Work and Pensions. The attached letter provides Audit and Risk Committee with the outcome of this work.
- 2.4 The adjustment to the claim detailed in the table at the top of page 2 of the letter was because of a duplicate entry on the claim form. The error was identified by the service and communicated to the Department for Work and Pensions within days of the claim being submitted and well before any Grant Thornton work being carried out.
- 2.5 The issue that resulted in an extrapolation made zero difference to the value of subsidy claimed and the extrapolated error amounted to less than 0.01% of the total subsidy claim.
- 2.6 All the issues identified are subject to additional internal testing to reduce the risk of a recurrence during the 2018-2019 certification process.
- 2.7 The Audit Progress report and Sector update reports on Grant Thornton's progress in delivering their responsibilities as external auditors.

3.0 Financial implications

- 3.1 The Annual Audit Letter from the External Auditors, is an important element of the accountability and transparency of the Council's finances.
- 3.2 The fee for the certification of the 2016-2017 Housing Benefit Subsidy Claim is £16,455. There is a specific budget for this fee within Corporate Financial Management.
[JB/30112017/F]

4.0 Legal implications

- 4.1 The Accounts and Audit Regulations 2015 require the 2016-2017 Statement of Accounts be produced in accordance with proper practice. This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved by 30 June 2017 and published by 30 September 2017. The Annual Audit Letter is a key part of this process.
[RB/30112017/R]

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.

9.0 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

- 10.1 Audit Findings Report – City of Wolverhampton Council Year ended 31 March 2017

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The Annual Audit Letter for City of Wolverhampton Council

Year ended 31 March 2017

October 2017

Mark Stocks

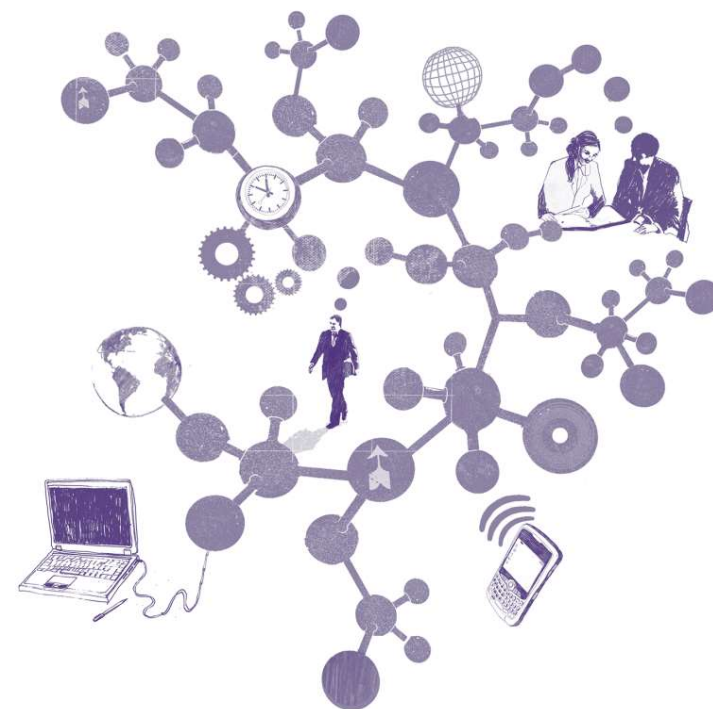
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Appendices

A Reports issued and fees

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at City of Wolverhampton Council (the 'Council') for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Risk Committee (as those charged with governance) in our Audit Findings Report on 18 September 2017.

Our responsibilities

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

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

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

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 21 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 21 September 2017.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 29 September 2017.

Certificate

We certified that we had completed the audit of the accounts of the City of Wolverhampton Council in accordance with the requirements of the Code on 10 October 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit & Risk Committee in our Annual Certification Letter.

Other work

In addition to our certification work on the Council's Housing Benefit subsidy claim we have also undertaken certification work on the Council's Care and Support Specialised Housing on behalf of the HCA. We anticipate signing off this work by the end of the October.

We also anticipate undertaking certification work in respect of the Council's Pooling of Housing Capital Receipts claim. While the DCLG have issued assurance instructions to auditors, as at the time of writing the ICAEW are in consultation with the DCLG over the assurance instructions as the level of assurance sought does not tally correctly with the level of work they are asking of us. Therefore we expect the guidance to be updated. We are therefore prevented from starting this work until the issues have been resolved. This is a profession wide issue, hence the involvement of the ICAEW. While we have not yet been able to start this work we anticipate undertaking it as soon as the revised guidance is issued.

We have also been appointed by the Council to undertake agreed upon procedures work at Wolverhampton College in respect of a service level agreement the Council has in place with the College for post 16 SEN students. This work is currently underway as at the time of writing.

It was confirmed to us that at their AGM, the Board of Wolverhampton Homes, a wholly owned subsidiary of the City of Wolverhampton Council, have given their approval to appoint Grant Thornton as external auditors for Wolverhampton Homes for the 2017/18 financial year. We look forward to working with them.

The fees in relation to Wolverhampton College and Wolverhampton Homes will be reported to the Council as part of our 2017/18 audit report.

Working with the Council

The accounts preparation process was much improved this year, with draft accounts being made available to us on 13 June 2017; 17 days earlier than in 2015/16. In 2015/16 the accounts presented for audit were then subject to further revision by the Council. We are pleased to report that this did not recur for 2016/17, which helped towards a more efficient process.

For 2017/18 the deadline is being brought forward from 30 September to 31 July 2018. We are taking part in the Council's Closedown "launch" event in November, to ensure we are aligned in our commitment to achieve the deadline together. We have arranged a series of visits throughout the year to bring forward as much work as possible.

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

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

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

We determined materiality for our audit of the Council's accounts to be £13.465 million, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related party transactions of £20,000 (though noted this could be lower as the concept of related party transactions takes in to account what is material to both the Council and the related party) and for senior officer remuneration of £20,000.

Pension Fund

For the audit of the West Midlands Pension Fund accounts, we determined materiality to be £106.895 million, which is 0.75% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality for certain areas such as senior officer remuneration, related party transactions and management expenses. We set a threshold of £20,000 above which we reported errors to the West Midlands Pension Fund Committee in respect of senior officer remuneration and related party transactions. For management expenses our threshold was £3.550 million, being 5% of management expenses.

The scope of our audit

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

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

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the accounts - Council

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>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>We:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>The Council did not inform the actuary of the number of redundancies to have taken place during the 2016/17 financial year and therefore the actuary was unable to take this into account in their valuation of the pension fund net liability.</p> <p>The actuary confirmed that had he known the information, the difference it would have made to the liability would have been to increase it by £161k which is clearly trivial, and therefore no adjustment was proposed in this regard.</p> <p>We raised a recommendation to the Council to ensure that the actuary is made aware of any information pertinent to their calculations on a timely basis.</p>

Audit of the accounts - Council

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>The Council 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 is revaluing all assets over £1 million every year, with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every 5 years in line with the Code requirements.</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>We:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>Findings</p> <p>The Council have carried out a significant amount of work during the year to cleanse the data within the fixed asset register following the issues that were identified last year in terms of reports being generated from the asset register system producing inconsistent outputs. This has led to an "Other Changes – Gross Value" line being added to Note 10 of £2.2m. There are however further issues that have been identified from our work this year.</p> <p>Revaluations</p> <p>We carried out work to ensure that the revaluation of specialised and non-specialised fixed assets have been correctly accounted for. A number of differences were identified. Some were due to assets being revalued which had been disposed of and some differences due to assets being split over several lines in the fixed asset register. We identified that the gross cost is overstated by £4,343k (0.25% error as a percentage of total cost) and accumulated depreciation overstated by £788k (0.30% error as a percentage of total accumulated depreciation) giving a net over statement of £3,555k (0.25% error as a percentage of total net book value). This has been recorded as an unadjusted misstatement.</p> <p>Investment Properties</p> <p>The Council has a procedure of revaluing all assets with a value above £1m, including investment properties. The Code requires that after initial recognition, Investment Property needs to be measured at fair value. It states the fair value of an investment property shall reflect market conditions at the end of the reporting period. We consider that to comply with the Code that the Council should be seeking valuations of Investment Properties as at the end of each reporting period. We have reviewed the revaluations performed and are satisfied that the valuation of Investment Properties is not materially misstated as at 31 March 2017. We have raised a recommendation to ensure that the Council perform a formal exercise each year to either ensure that all investment properties reflect market value as at the year end or otherwise demonstrate that the value at which they are carried in the accounts it not materially misstated.</p>

Audit of the accounts - Council

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>(continued)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 24</p>	<p>(continued)</p>	<p>Academy school assets</p> <p>We identified that the value of property, plant and equipment in 2015/16 was overstated by £2,529k due to schools converting to Academy status but the value of their assets not being shown as a disposal. The Council have disposed of these assets during 2016/17 and therefore the balance at 31 March 2017 is not overstated. We have recorded this in the table summarising the impact of uncorrected misstatements in the prior year on page 30.</p> <p>Housing valuations</p> <p>The district valuer has provided a beacon valuation for Council Dwellings. When extrapolated across the population of total Council Dwellings this results in an increase in value of £7.5m. This has not been adjusted for as the Council does not consider it to be material as it only represents a 1.09% change in value. We have recorded this as an unadjusted error.</p>

Audit of the accounts – Pension Fund

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments</p> <p>Significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel • Performed walkthrough tests of the controls identified in the process. • Tested valuations, on a sample basis, by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. In addition reconciling those values to the values at 31st March with reference to known movements in the intervening period. • Reviewed the qualification of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments had been reached. • Reviewed the nature and basis of estimated values and considered what assurance management had over the year end valuations provided for these types of investments. • Reviewed the competence, expertise and objectivity of management experts used. 	<p>Our audit work has not identified any significant issues. We concluded the estimates were reasonable. Our testing identified that there was a combined difference greater than triviality threshold between the estimated leave three investment balances in the Pension Fund accounts and the year-end confirmations and audited accounts we received from Fund Managers. We concluded the estimates were reasonable.</p>

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Audit of the accounts

Audit opinion

Council accounts

We gave an unqualified opinion on the Council's accounts on 21 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a reasonable set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit. We are going to work with the Council throughout the coming year to further streamline our joint approach to working papers and specifically tailor our requests to ensure we are receiving information which is appropriate and right first time.

We reported the key issues from our audit of the accounts of the Council to the Council's Audit & Risk Committee on 18 September 2017. In addition to the key audit risks reported earlier in this report, we reported the following matters:

- PFI: Highfield and Penns School PFI liability was £1.72m lower than our estimate. This was not adjusted for on the grounds that it was not considered to be material.
- PFI: All of the PFI liability within the balance sheet was shown as a non-current liability, when there is £3.16m payable within 12 months which should therefore be classified as current liabilities. This was not adjusted for on the grounds that it was not considered to be material and would have a net nil impact on the financial statements.

We also identified a number of control issues during our audit that we have asked the Council's management to address for the next financial year. These are reported in the Audit Findings Report and are not repeated here.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the West Midlands Pension Fund Committee on 6 September 2017. In addition to the key audit risks reported earlier in this report, we made the following recommendations. We recommended that:

- the Pension Fund prepare for the earlier 31 July financial statements deadline by ensuring adequate resources exist to produce working papers and secure fund manager assurances on pension balances
- where 'auditor control reports' are not available, the Pension Fund establishes procedures to gain assurance regarding the adequacy of control arrangements at investment managers where Auditor control reports are not obtained.

Annual Governance Statement and Narrative Report

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

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate on 29 September 2017. As required by the NAO, our report set out the unadjusted misstatements already identified and reported to you in our Audit Findings Report. These were:

- Council Dwellings valuation (see page 8)
- PFI: Highfield and Penns School PFI liability (see earlier on this page)
- PFI: liability shown as a non-current liability (see earlier on this page).

Audit of the accounts

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not exercised any such powers.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

Key findings

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

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

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Medium Term Financial Resilience</p>	<p>We reviewed the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used.</p>	<p>The Council's 2016/17 outturn position, as noted on page 8 of the Narrative Report of the financial statements, is a net underspend of £0.3 million, which comprises achievement of a savings target of £26.4 million for the year.</p> <p>Meeting with key officers and review of the 2017/18 budget has established that the Council has firm plans in place for 2017/18. We are satisfied that the Council is developing plans for 2018/19 and 2019/20. This includes holding "Review, Challenge and Progress" to ensure people are challenged on their plans appropriately to ensure they hold up to scrutiny and are robust.</p> <p>Of the £14,800k savings required for 2018/19, £12,500k have been identified. We note however that £7,500k of these savings are one-off and therefore will not be available to meet the savings gap in relation to 2019/20. Work continues to identify additional recurring budget opportunities that will work towards the remaining budget challenge to be delivered in 2019/20. The remaining cumulative budget challenge to be identified by 2019/20 stands at £15,500k. We were satisfied from our review that the Council has sufficiency of reserves to bolster its finances should its savings plans not be delivered, but clearly reserves can only be used once.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it plans finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>
<p>Combined Authority</p>	<p>We reviewed 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>	<p>We found that the Council has:</p> <ul style="list-style-type: none"> adequately assessed the risks arising from the creation of West Midlands Combined Authority (WMCA) and has put arrangements in place to mitigate and manage those risks taken advantage of the opportunities offered by the Devolution Deal by participating in the business rates retention pilot seconded key officers to WMCA, thus ensuring that Wolverhampton's voice is heard within the highest levels of that body. <p>Whilst we are satisfied that that finance risks are being adequately identified and considered, Members should be aware that funding for a number of the schemes in WMCA's Investment Plan are not certain. In particular, the £36.5 million annual revenue funding from the Devolution Deal is subject to a jointly agreed 5-yearly gateway assessment process to confirm the investment has contributed to economic growth. The Council will need to consider the finances of the WMCA on a regular basis and any risks this brings to the authority.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it works effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>

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Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Ofsted inspection of children's services</p>	<p>We reviewed the report from Ofsted as it became available and took this into account in forming our conclusion</p>	<p>Looked After Children continues to be an area of focus with the overall aim of reducing the number of children in care. These numbers have stabilised during 2016-17. Work is being undertaken to look at those in receipt of the services on a case-by-case basis to ensure that the most appropriate care package is in place and that care proceedings aren't being inappropriately initiated.</p> <p>We have considered the OFSTED Children's services report published on 31 March 2017. The report considered services for children in need of help and protection, children looked after and care leavers, and the Local Safeguarding Children Board. The report graded children's services in Wolverhampton as 'good'.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place 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>Worklessness</p>	<p>We reviewed 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 assessed whether actions taken have been and are being effective.</p>	<p>The Council has taken a number of positive actions to reduce worklessness in Wolverhampton.</p> <p>As a headline figure, in 2011, the Council's City Strategy set out a number of targets, one of which was to achieve an employment rate of at least 70% by 2026. In 2011 the baseline data was 61.3%: this has increased to 64.4% based on latest ONS data (2015).</p> <p>The actions taken by the Council and others have begun to impact and the unemployment rate has fallen from 11.3% in 2014/5 to 7.6% in 2016/17. While we note this improvement the national average unemployment rate per the Office of National Statistics is 4.4%. In comparison the rates for Wolverhampton have remained higher than the national average over the last 5 years. Similarly, only two of the other West Midlands Authorities have unemployment rates greater than Wolverhampton. Continued action is needed by the Council and its partners in this area.</p> <p>While further action is needed we are satisfied with the arrangements put in place by the Council.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to ensure it plans 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>

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Value for Money

Risk identified	Work carried out	Findings and conclusions
<p>Strategic Asset Management</p>	<p>We reviewed 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 assessed whether these actions have been undertaken and are effective.</p>	<p>The Council has made some progress in developing Strategic Asset Management. In particular, and Asset Transformation Programme commenced in November 2016. The programme has four workstreams:</p> <ul style="list-style-type: none"> • Strategic Asset Plan: to develop a clear Strategic Asset Plan • Asset Challenge: to review what buildings are being used for and what is needed. • Data Management: to improve the data available to the Council to aid decision making • Commercial Portfolio: to develop a team and strategy to develop and grow the current portfolio. <p>In addition, the Council are continuing to progress the Corporate Landlord model. A recent external review has confirmed that this is an appropriate model but has also made a number of recommendations to strengthen the model.</p> <p>CIPFA are supporting the development of the Strategic Asset Plan and the implementation of the Corporate Landlord model. Their work is programmed for completion by November 2017.</p> <p>It is clear that progress in this area has not happened as quickly as the Council would have originally anticipated or wanted. However, this has not significantly impacted on service delivery at the Council and we are satisfied from our review, that the Council is being proactive in developing better Asset Management. Continued work and focus is needed in this area.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for managing and utilising assets effectively to support the delivery of strategic priorities.</p>

Appendices

A. Reports issued and fees

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Appendix A: Reports issued and fees

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

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	189,428	189,428	189,428
Statutory audit of Pension Fund	48,618	48,618	48,618
Audit of subsidiary company Yoo Recruit Limited	15,000	15,000*	15,000
Housing Benefit Grant Certification	16,455	16,455	14,128
Total fees (excluding VAT)	269,501	269,501	267,174

* Audit soon to be underway for 2016/17 financial year and therefore actual fee not yet confirmed.

** Work still underway so actual fees not yet confirmed but are not anticipated at this stage to be greater than the proposed fee

*** PSAA have recently confirmed that the fee for 2015/16 can be reduced and therefore the fee shown here of £14,128 is a reduction of £5,000 compared to the fee as reported to you previously.

The proposed fees for the year for the Council and the Pension Fund were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	February 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• HCA CASHH	2,115
Non-audit services	
• Income generation	61,000
• Opportunity West Midlands	11,000
• Utility bills consultancy	13,000

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified in respect of the 2016/17 financial year.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

The above non-audit services are consistent with policy on the allotment of non-audit work to your auditor and have been approved by the Audit Committee.

Appendix A: Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
Page 34 CASHH grant	During the financial year 2016/17 we were approached by the Council to audit their wholly-owned subsidiary, Yoo Recruit Limited	£15,000	No	There is no contingent element to this fee, i.e. the amount of fee is not dependent on any successful outcome. The fee for this work is small in comparison to the total fee for the audit (7%) and in particular Grant Thornton UK's turnover overall.
	CASHH grant	£2,115		Our scope of work did not involve making decisions on behalf of the Council's management.
	Income generation	£61,000	No	The work was carried out by a separate team, thus safeguarding against the familiarity threat.
	Opportunity West Midlands	£11,000	No	This was a training programme given to three delegates from the City of Wolverhampton Council as part of a wider West Midlands cohort. The training being given was to raise awareness of alternative delivery models and to assist officers in making the step up from a more operational to strategic role. Therefore not considered to impact on our financial statements opinion or our value for money conclusion.
	Utility bills consultancy	£13,000	No	This involved a contingent fee, but this was capped at a certain level. Our scope of work did not involve making decisions on behalf of the Council's management. The work was carried out by a separate team, thus safeguarding against the familiarity threat.



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28 November 2017

Dear Claire

Certification work for City of Wolverhampton Council for year ended 31 March 2017

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) took 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 2016/17 relating to subsidy claimed of £109.955 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention. There was an extrapolated error from the extended testing that we carried out on this year's subsidy return, which recurred from 2015/16 in relation to incorrect earnings. There were two new areas where we identified errors, which were in relation to PCGC Income Classification and Child Care Costs. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £16,455. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£109,954,975	Yes	£471,959	No	See below

Findings from certification of housing benefits subsidy claim

Incorrect earnings

As part of our 2015/16 testing of the initial sample we identified 2 cases where benefit had been underpaid as a result of the Authority using the incorrect earnings figure in the benefit calculation.

However, because using the incorrect earnings figure could result in an overpayment, further work had to be undertaken in 2016/17 to address the issue.

Testing of our initial sample identified zero errors in relation to the calculation of benefits where earnings were present.

Additional testing was undertaken and 3 cases were identified (total value £5,144) where the earnings had been incorrectly calculated. The value of the errors found ranged from £0.22 to £121.78 and the benefit periods ranged from 1 week to 52 weeks.

This is the second year that the Local Authority have had this issue.

PCGC Income Classification

Testing of the initial sample identified 1 case where the Authority had incorrectly classified the claimant's income as PCSC (Pension Credit Savings Credit) instead of applying PCGC (Pension Credit Guarantee Credit). As the claimant was entitled to full benefit regardless this did not have a financial impact on the claim.

However if the incorrect income code was applied this could result in an overpayment therefore it was deemed additional testing was to be undertaken.

Additional testing identified a total of zero cases that were incorrect therefore no overall financial impact to the claim form.

This was a new error identified for 2016/17.

Child Care Costs

Testing of the initial sample identified 1 case where benefit had been overpaid as a result of the Authority incorrectly calculating Child care costs.

Additional testing (100%) was undertaken and a further 11 fails were identified (6 overpaid and 5 underpaid). The claim form has been correctly amended by the Authority for the 6 overpayments: however as there is no eligibility to subsidy for benefit which has not been paid, the 5 underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. Any underpaid benefit will be claimed in the 2017/18 subsidy year.

This is the first year that the error has been identified.

Personal Independent Payment (PIP)

Last year, we identified an instance whereby the Authority had entered the wrong PIP value on the system. We found that the authority had undertaken a systematic review of all such cases during the year to ensure that the entries were correct and therefore we found no errors in the 2016/17 claim form of this nature.

Incorrect rents

Last year, we identified that the authority had used the incorrect rent figure in the benefit calculation in two instances from the samples we selected. We did not identify any such errors this year.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£21,940	£16,455	£16,455	£16,455	N/A
Total	£21,940	£16,455	£16,455	£16,455	N/A

Audit Progress Report and Sector Update

City of Wolverhampton Council
Year ending 31 March 2018
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Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit and Risk Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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



Progress at December 2017

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit next week, with further visits planned for January and March 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the next Audit committee. The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We have discussed our plan and timetable with officers.

The final accounts audit is due to begin on 4 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

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

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

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

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

We will make our initial risk assessment to determine our approach in December 2017 and report this to you in our Progress Report at the March Audit committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The results of the certification work are reported to you in our certification letter.

Meetings

We continue to meet with Finance Officers on an ongoing basis to discuss our project plans to meet early closedown, to liaise regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Director of Finance and Managing Director in September to discuss the Council's strategic priorities and plans.

Events

We attended the finance team's recent Closedown event, which was an interactive training session for finance staff to launch this year's early closedown process.

We are in discussions with the Council to participate in an Audit Committee forum early in December 2018 following up on the successful forum that was hosted by the Council last year.

Details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font.

Local
government

Combined Authorities: Signs of Success



In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East."

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)

Grant Thornton
An insight for growth

Bond Dickinson

Combined Authorities:
signs of success



Grant Thornton Publication

Challenge question:

Is your Authority considering how the combined authority model may evolve?



Setting up a successful social enterprise



Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended.

The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted exiting models into social enterprises; for example where a greater focus on social outcomes has been identified

[Click on the report cover to download and read more](#)

Grant Thornton
An instinct for growth

Setting up a
social enterprise



Grant Thornton Publication

Challenge question:

Is your local authority looking to transition a public service to a social enterprise model, and if so are you familiar with this report?



The Board: creating and protecting value



In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross-sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance.

This powerful tool provides a framework with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

[Click on the report cover to download and read more](#)

Value creation	
Non-executives	<p>Directorship How well do the non-executives:</p> <ul style="list-style-type: none"> design, debate and decide the organisation's future? inspire and guide the executive to realise the organisation's purpose? provide support to the executives?
	<p>Leadership How well do the executives:</p> <ul style="list-style-type: none"> Make decisions aligned with realising the organisation's purpose? Inspire and motivate employees to realise the organisation's purpose? model the values of the organisation?
	Executives
	<p>Assurance How well do the non-executives:</p> <ul style="list-style-type: none"> monitor financial, compliance and business indicators? ensure appropriate processes are in place to manage risk? have oversight of the executive team?
	<p>Management How well do the executives:</p> <ul style="list-style-type: none"> set goals, creating plans and allocating resources to achieve them? effectively assign roles and responsibilities? Focus on day-to-day tasks and resources needed to deliver strategic aims?
Value protection	



Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton Publication



Challenge question:

Can you use the key questions raised in the report to consider the effectiveness of your own governing body?

Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

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

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available [here](#).

CIPFA The Chartered Institute of Public Finance & Accountancy

code of practice on local authority accounting
in the United Kingdom 2017/18



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of [IFRS 9 Financial Instruments](#) and [IFRS 15 Revenue from Contracts with Customers](#). It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

CIPFA Publication

Challenge question:

Is your **Head of Finance** aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.

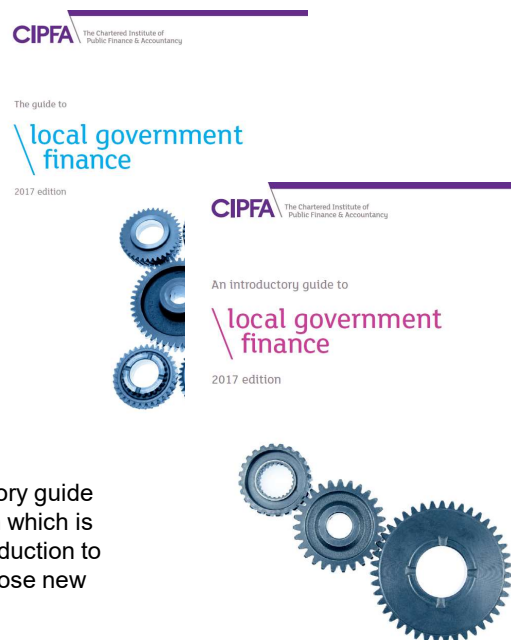


CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?



DCLG Consultation

DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The Government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

DCLG consultation

Challenge question:

- Is your **Chief Finance Officer** planning to respond to the consultation?



Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.

Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.

- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

CFO Insights

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.cfoinsights.co.uk/>

CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>

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CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

11 December 2017

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

Recommendations for noting:

The Committee is asked to note:

1. The Strategic Risk Register as at Appendix 1.
2. That following discussions with the risk owners, risk 1 – Looked After Children and risk 21 – Transforming Adult Social Care Programme have been reviewed and combined with risk 4 – Medium Term Financial Strategy. As a result, the risk description for risk 4 has been amended accordingly.
3. The increase in the risk score for risk 3 – Information Governance due to issues around the implementation of the General Data Protection Regulations which are due to come into effect on the 25 May 2018.
4. The reduction in the assessment of the following risks:
 - Risk 23 – Cyber Security as there have been no significant cyber instances since the Wanna Cry RansomeWare cyber-attack in May.
 - Risk 26 – Community Cohesion. As the target score for this risk has been achieved the risk has now been archived and transferred to the relevant directorate risk register.

- Risk 27 – Safety concerns around the City’s tower blocks as the insurance issue referred to at the last Committee meeting has now been resolved.
5. The change in the target date for the following risks:
- Risk 24 – Maximising benefits from the West Midlands Combined Authority in accordance with the timetable for completion of the communication framework.
 - Risk 25 – Payment card industry data security standard, in accordance with the Digital Transformation Programme’s timetable for procurement.
6. The identification of two new risks:
- Risk 28 – Health and Safety due to an increase in health and safety related prosecutions.
 - Risk 29 – Fire Safety – Public Buildings as a result of the increased level of scrutiny in this area following the Grenfell Tower Fire.
7. The main sources of assurance available to the Council against its strategic risks at Appendix 2.

1.0 Purpose

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

2.0 Background

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The strategic risk register was last presented to the Committee in September 2017. Since this time, we have met with the risk owners to review and update the risks.
- 2.3 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. Other risks are captured within directorate, 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 December 2017. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.
- 2.5 Appendix B provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown on the following page). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

The three lines of defence model:

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

3.0 Progress, options, discussion

- 3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in'

individual risks for further review from time to time. At the last meeting, the Committee requested risk 9 – City Centre Regeneration to be called in for the December 2017 meeting. Details regarding this risk are included in the risk register at appendix 1 and the risk owner will be attending the meeting to discuss details of the risk with the Committee.

4.0 Financial implications

4.1 There are no financial implications associated with the recommendations in this report as the Committee is 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/10112017/C]

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. [RB/13112017/A]

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.

A nighttime aerial photograph of Wolverhampton, showing city lights, buildings, and a railway station with a prominent glass-fronted structure.

Appendix 1 – Strategic Risk Register @ December 2017



**Stronger
Economy**




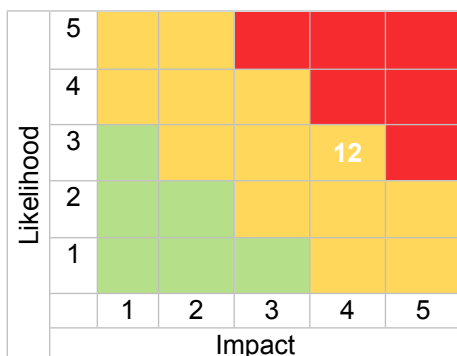
**Stronger
Communities**





**Stronger
Organisation**

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


Risk ref	Risk title and description	Previous score (Aug 2017)	Direction of travel	Current score (Dec 2017)	Target score and date	Comment
3 01/14	<p>Information Governance (IG)</p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018; compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal</p>	8 Amber		12 Amber	8 Amber Nov 2018	<p>The score of this risk has risen to reflect the demands of GDPR which is due to come into effect on 25 May 2018. In preparation for the new regulation, a work programme was developed and approved in July 2017, progress against the work programme to date is as follows:</p> <ul style="list-style-type: none"> A training needs analysis and communication plan has been developed to identify the level of engagement required by each service area. Using the information identified from the needs analysis a matrix was produced to establish which departments are key stakeholders in GDPR work. Training priorities have been assigned to each department, with training for priority 1 departments being completed first. To ensure maximum engagement with minimum disruption, training and awareness briefings are taking place at regular team or departmental meetings. Where workshops are required, these are also being led by the IG team and comprise of a pre-booked two- hour session to review impacts and devise service specific action plans. Progress against the plan is then monitored throughout the duration of the project, and revisited where required. A Project Manager from the Council's Programme Office was assigned to the project in August 2017 and is currently working with the IG team to support the project and to monitor ongoing progress against milestones. A City People article regarding the new regulation was published in July 2017, alongside a GDPR briefing document that staff could download for further information. Further communications have been scheduled before the year end and at key points during 2018. The IG team have presented an overview of the GDPR at all Senior Leadership meetings. A GDPR e-learning module provided by the Learning Hub is currently being reviewed. This can be configured to meet the Council's needs and will provide further support to staff.




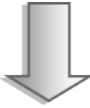
Risk ref	Risk title and description	Previous score (Aug 2017)	Direction of travel	Current score (Dec 2017)	Target score and date	Comment																																											
4 01/14	<p>Medium Term Financial Strategy</p> <p>If the Council does not manage the risks associated with the successful 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 such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Andrew Johnson</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3			12			2						1							1	2	3	4	5		Impact					12 Amber		12 Amber	8* Amber On-going	<p>The 2017-2018 Budget and Medium Term Financial Strategy 2017-2018 to 2019-2020 was approved by Full Council on 1 March 2017, the Council was able to set a balanced budget for 2017-18 without the use of general fund reserves.</p> <p>The report noted that budget reductions totalling £20.5m were still required by 2019-2020, which were in addition to the achievement of budget reduction proposals amounting to £33.8m for the period 2017-18 to 2019-2020 which had previously been agreed.</p> <p>The Draft Budget and Medium Term Financial Strategy 2018-19 to 2019-20 was presented to Cabinet on 18 October 2017. The report detailed the following matters:</p> <ul style="list-style-type: none"> As reported to Cabinet in July 2017, a further £12.5m budget reduction opportunities had been identified towards the strategy of identifying £14.8m for 2018-19. Of the total £12.8m, £5m are ongoing budget reduction opportunities whilst £7.5m are one-off opportunities that can be achieved during 2018-19. Therefore, a significant element of the proposals relates to one-off budget reduction opportunities that can be achieved in 2018-19 only. Previously approved budget reduction and income generation proposals had been reviewed and reprofiled, increasing the amount of savings required by £2.1m. A further three proposals for 2018-19 had been identified which will enable the council to set a balanced budget for the year. Work continues to identify additional budget reduction and income generation opportunities to address the projected deficit in 2019-2020 in order to ensure that a balanced budget can be set in the medium term.
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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 a reduced demand on Council services <p>Risk owner: Tim Johnson Cabinet Member: Cllr John Reynolds</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; 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>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	12* Amber On-going	<p>Risks are being managed across the City Centre programme to address the potential for delayed delivery and cost overrun. With regards to key projects the following is noted:</p> <ul style="list-style-type: none"> On Interchange, Ion has now entered into the station build contract with Galliford Try with work due to start on construction during December 2017. The negotiation around the contract has delayed construction start dates and increased overall costs but with the contract now concluded this clearly represents a major milestone in the delivery of the Interchange masterplan. An Investment Prospectus has been prepared in conjunction with CBRE which presents an ambitious but deliverable 10-year vision for the regeneration of the city centre. This is designed to engage investors and offer a compelling vision for private investment supported by targeted public intervention. The Prospectus points to opportunities for 1 million sq. ft. of office development around the Interchange, the next phase of which will be the i9 office development an outline business case for which was recently approved by Cabinet. Benson Elliot has largely completed the refurbishment works to the Mander Centre with Debenhams opening as the anchor store last month. Continued support is being offered to Benson Elliot in attracting new occupiers. An outline planning permission has been submitted for Westside with a view to the developer commencing works to phase 1 in Q3 2018. Work to enable this development including the relocation of the retail market to Snow Hill is progressing to programme. Proposals to enhance key areas of public realm throughout the city are progressing with Westside Link and Cleveland Boulevard (connecting Westside and The Royal to the core centre) due for commencement next year. These works will seek funding from the Local Enterprise Partnership off the back of outputs secured through the associated major developments. A collaboration agreement was signed with Canal & River Trust as a major landowner in the Canalside South area to partner on bringing forward key sites for residential led development.
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						<p>A joint study (with funding support from the HCA) has recently been commissioned which will result in a phased masterplan proposal with clear routes to delivery, recommendations to support a business case for funding towards enabling works and potential procurement routes.</p> <ul style="list-style-type: none"> • A design for City Learning Quarter is ongoing to meet the needs of user groups. Enabling works around land acquisition is continuing. The delivery programme is challenging and options around a phased decant for the college are being appraised. • Plans for the £14.4 million redevelopment of the 80-year-old, Grade II-listed Civic Hall have begun but work was held up when contractors uncovered major issues. As a result a more intrusive survey was commissioned to look at these issues. The Council is now considering significantly widening the scope of the scheme to not only address additional items to enable the existing scheme to be delivered, but also include a substantial number of new items e.g. include a completely new electrical and engineering system, major structural work, including a new roof and the latest safety and security measures. We're currently in the process of finalising the costs of this additional work but the project will inevitably cost more than anticipated. Prior to the commencement of any further works national and regional funding options which could contribute to what will be in effect a much larger project are being explored • Engagement with developers and investors continues across a range of sites. Feedback is very positive from investors who are becoming increasingly convinced that there is a developing momentum around the city centre.

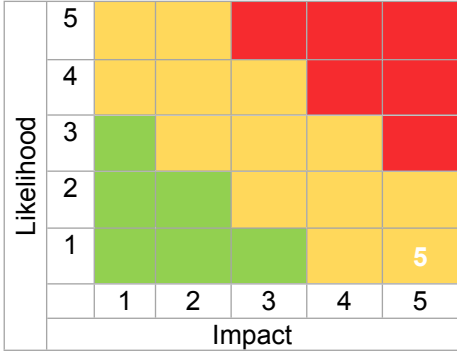

Risk ref	Risk title and description	Previous score (Aug 2017)	Direction of travel	Current score (Dec 2017)	Target score and date	Comment
21 11/16	<p>Transforming Adult Social Care (TASC) programme</p> <p>If the Council does not have robust management and governance arrangements in place for the Transforming 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: Mark Taylor (David Watts) Cabinet Member: Cllr Sandra Samuels OBE</p>	12 Amber		12 Amber	8* Amber	This risk has been reviewed and incorporated into risk 4 – MTFS.


Risk ref	Risk title and description	Previous score (Aug 2017)	Direction of travel	Current score (Dec 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" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	5 Amber March 2018	<p>Since last reported the following is noted:</p> <ul style="list-style-type: none"> The Work Box was launched on 29 June 2017, over 65 organisations attended the launch event. At the time of reporting there have been over 65,000 unique visits to the site and over 2,000 sign ups. The next stage of the project will be to engage between 10 -15 businesses as 'early adopters' who will post vacancies on the Work Box and to further enhance content by showcasing Careers into Care, Apprenticeships and Community Programmes. The Wolves@Work programme is ongoing, the programme aims to get 3,000 people (including 1,000 young people) into sustained employment over a three-year period. 212 employers have now agreed to be part of the programme which has successfully supported 1,432 people into work, 256 people into work-experience placements and 381 people into apprenticeships. A terms of reference for the City Apprenticeship group has now been agreed and four key priorities have been identified. An action plan is in the process of being developed which includes the introduction of a city-wide Apprenticeship Roadshow. The Black Country wide European Social Fund and Youth Employment Initiative Impact project is ongoing. The project aims to support young people between 16 – 29 who are not in employment, education or training. To date (30 September 2017) 1265 young people have engaged with the project which is currently performing ahead of profile. 47 participants have been confirmed as now in employment or education and training. It is anticipated when the next set of results are reported a further 177 participants will be in employment, 77 in education or training and 15 in apprenticeships. The City of Wolverhampton's Business Week programme ran between 25 – 29 September, offering a range of events aimed at showcasing the city's business and investment profile whilst providing dedicated activities to support businesses in the city in order to assist economic growth. The second annual jobs fair was held in September, 1700 people attended and over 4000 job opportunities were available on the day.
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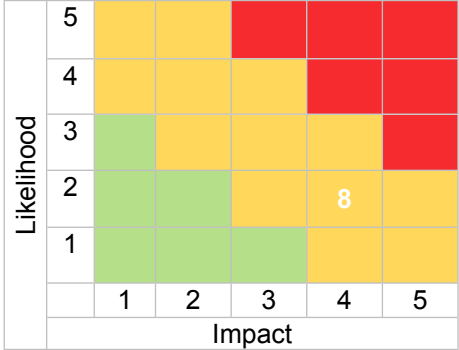
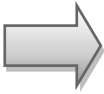
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23 01/17	<p>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Andy Hoare Cabinet Member: Cllr Milkinderpal Jaspal</p> <table border="1"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5	Impact							15 Red		10 Amber	10 Amber Ongoing – Dependent on cyber world-wide cyber incidents	<p>The level of this risk has been reduced as there have been no significant cyber incidents since the WannaCry RansomeWare cyber-attack which significantly disrupted the NHS in May. A report from the National Audit Office has confirmed that the attack on the NHS could have been prevented if NHS Trusts had acted on alerts instructing them to patch or migrate from older software. The regular software patching regime at Wolverhampton protected the City Council from this and potentially other such attacks.</p> <p>Maintaining robust, secure and up-to-date technology defences continues to be the Council's first line of defence against cyber-attacks. Regular maintenance of the cyber security technical defences is required to address identified vulnerabilities. System back-up's continue to be undertaken in accordance with agreed time-tables and practise restores to the Council's non-production area are ongoing to ensure that back-ups have been undertaken correctly and can be restored. Since last reported it is noted;</p> <ul style="list-style-type: none"> The Council's Public Services Network connection compliance certificate was renewed in June. Only minor recommendations had been made following the audit, the most significant of which was strengthening password requirements, this has now been implemented. This was the first review that included an assessment of the Council's arrangements for storing data within the cloud. A phising exercise using Metacompliance's MetaPhish software was undertaken in October. A phishing email was sent to over 1000 employees, of these 43% opened the email and 460 went on to provide sensitive data (log-on id's and passwords). Employees providing this information were taken to an online 'learning experience' providing basic information on phising and the dangers of responding to phising emails. The results of this exercise will be used to highlight areas and individuals requiring additional training and support in future. Joint working and networking with neighbouring authorities is ongoing, virtual meetings between the Head of ICT and his equivalent from neighbouring authorities take place on a six-weekly basis and physical meetings take place twice at least twice per year.
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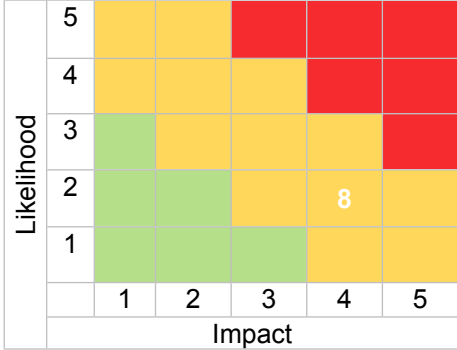

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29 01/17	<p>Fire Safety – Public Buildings If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p> <p>Risk owner: Tim Johnson (Tim Pritchard) Cabinet Member: Cllr Peter Bilson</p> <table border="1" style="margin-top: 10px;"> <tr> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>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>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>	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	5 Amber	Due to timing constraints following the identification of this risk a full commentary will be provided to the next Committee meeting.
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- The following are the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.


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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: Mark Taylor (Emma Bennett) Cabinet Member: Cllr Val Gibson</p> 	5 Amber		5 Amber	5 Amber Target achieved This risk has been reviewed and incorporated into risk 4 – MTFS.


Risk ref	Risk title and description	Previous score (Aug 2017)	Direction of travel	Current score (Dec 2017)	Target score and date																																													
7 01/14	<p>Safeguarding</p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr Val Gibson and Cllr Sandra Samuels OBE</p> <table border="1" data-bbox="250 512 705 863"> <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;"></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; text-align: center;">8</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 colspan="6" style="text-align: center;">Impact</td> </tr> </table>	Likelihood	5						4						3						2				8		1								1	2	3	4	5		Impact						8 Amber		8 Amber	5 Amber March 2018
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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: Mark Taylor (John Denley) Cabinet Member: Cllr Paul Sweet</p> 	8 Amber		8 Amber	8* Amber On-going

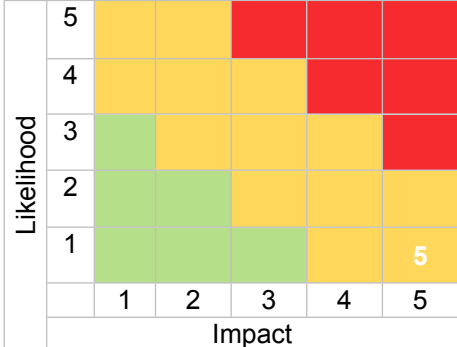

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14 01/14	<p>School Improvement</p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Meredith Teasdale Cabinet Member: Cllr Claire Darke</p>  <table border="1" data-bbox="250 560 705 911"> <tr><td></td><td>5</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>4</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>3</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td></td><td>2</td><td>Green</td><td>Green</td><td>Yellow</td><td>8</td><td>Yellow</td></tr> <tr><td></td><td>1</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</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	Yellow	Yellow	Red	Red	Red		4	Yellow	Yellow	Yellow	Red	Red		3	Green	Yellow	Yellow	Yellow	Red		2	Green	Green	Yellow	8	Yellow		1	Green	Green	Green	Yellow	Yellow	Likelihood		1	2	3	4	5			Impact					8 Amber		8 Amber	5 Amber 90% schools @ good or above
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15 01/14	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: Mark Taylor (John Denley) Cabinet Member: Cllr Roger Lawrence and Cllr Paul Sweet</p> <table border="1" data-bbox="250 628 705 979"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</td> <td>5</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>4</td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>3</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td>2</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700; text-align: center;">8</td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td>1</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> <tr> <td></td> <td>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				8		1							1	2	3	4	5		Impact					8 Amber		8 Amber	4* Amber
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24 01/17	<p>Maximising Benefits from West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence</p> <table border="1" data-bbox="250 507 705 858"> <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>6</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></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			6				1								1	2	3	4	5			Impact					6 Amber		6 Amber	3 Green April 2018
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* The target assessment for these risks remains constant as they are risks which are likely to remain at their current level over the medium term and as such these risks may not have target dates.

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Strategic Risk Assurance Map – December 2017

Risk Ref	Risk Title and Description	Current Score	External/ Independent (Third Line of Defence)	Types of Assurance Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	Comments / Gaps in Assurance/Risk Exposure
3	<p>Information Governance (IG) If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018; compliance with the Freedom of Information Act and Environmental Information Regulations; <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	12 Amber	<p>Internal audit review 2014/15 – Information sharing agreements (Satisfactory assurance) Internal audit review– Protective marking compliance, September 2014 (Limited assurance) Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance) Internal audit review 2016/17 – Information Governance (Satisfactory assurance)</p>	<p>Information risk register and reports to Information Governance Board Performance reports to Cabinet, Scrutiny Board and SEB Performance indicators reported to Cabinet- Number of data breaches Performance indicator - % of Freedom of Information (FOI) requests met within timescales Performance indicator- % of Subject Access Requests (SAR) met within timescales</p>	<p>Senior Information Risk Officer Annual Report Controls Assurance Statements</p>	<p>The Council's on-going dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to inform the level of assurance over the effectiveness and adequacy of the controls in place to manage this risk.</p>

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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 such as the transformation of Adults and Children's services then revenues may be exhausted, resulting in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.</p>	<p>12 Amber</p>	<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>Internal audit review Budgetary Control – 2016/17 (Satisfactory assurance)</p> <p>Performance indicator- number of LAC per 10,000 population</p> <p>Financial Decision Making Audit Services Review</p> <p>Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016</p> <p>Follow up – Wolverhampton Adult Social Care Peer Challenge, April 2017</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) – Risk sufficiently managed</p> <p>LGA Finance Peer review follow up – September 2017</p>	<p>MTFS risk register</p> <p>Reports to Budget Working Party</p> <p>Reports to Cabinet</p> <p>Scrutiny reviews of budget strategy</p> <p>Outcome of Local Government Finance Peer Review Report –Report to 3C Scrutiny Board 14 September 2016</p> <p>Scrutiny review, 3C Scrutiny Board - Update on the implementation on the Local Government Finance Peer Review Report 15 March 2017</p> <p>Resources panel reviews</p> <p>Care panel reviews of placement costs</p>	<p>Management accounts</p> <p>Reports to LAC Budget Monitoring Group (every two months)</p> <p>Controls Assurance Statements</p>	<p>Ongoing internal and external reviews will continue to provide assurances over the successful delivery of the MTFS and the achievement of efficiency savings.</p>

Risk Ref	Risk Title and Description	Current Score	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>	8 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 (satisfactory assurance)</p> <p>Children's Services Ofsted Inspection January / February 2017 (Requires Improvement Rating)</p> <p>Audit and Risk Committee review of LAC risk – September 2015</p> <p>Internal audit review 2015/16 – External Placements (substantial assurance)</p> <p>Children's Services Ofsted Inspection January / February 2017 (Good Rating)</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed</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>Scrutiny review of Corporate Parenting and Children in Care Council – September 2015</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>Regular updates to the both the Children's and Adult's Board(s) and People management teams with regards to the implementation of recommendations made by Ofsted will provide further assurance.</p>
8	<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>Audit and Risk Committee review of risk – July 2016</p>	<p>Reports from Wolverhampton Resilience Board to SEB</p> <p>Strategic Business Continuity Plan, approved by SEB</p>	<p>Controls Assurance Statement</p> <p>Implementation of the Apprise Co-ordination system</p> <p>Completed Priority 1 Business Continuity Plans</p> <p>Development of tactical loss of building plan</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 	12 Amber	<p>Internal audit review 2015/16- City centre development (Satisfactory assurance)</p>	<p>Programme and project risk registers / risk monitoring through Verto</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 Programme Board(s) 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, 2016/17 and 2017/18 to date.</p> <p>School internal audit reviews 2015/16, 2016/17 and 2017/18 to date.</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>Individual school SFVS statements</p>	<p>The Ofsted inspections and annual report(s) will continue to be the primary source of assurance for this risk.</p>
14	<p>Emergency Planning</p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p>	8 Amber	<p>Follow up of internal audit recommendations, January 2014</p> <p>Audit and Risk Committee review of risk – July 2017</p>	<p>Reports to Wolverhampton Resilience Board (WRB)</p> <p>Regular reports from WRB to SEB and C3 Scrutiny Panel</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.</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>	10 Amber	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Wolverhampton Skills Commission Review – November 2014 to April 2015</p> <p>Skills and Employment Board 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>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed</p>	<p>Stronger City Economy Scrutiny Panel Review – Investment and Funding July 2016</p> <p>Report to SEB – City Board – Monthly unemployment briefings</p> <p>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>Skills and Employment Update(s) regularly presented to Stronger City Scrutiny Panel</p>	<p>Reports to the Wolverhampton Skills and Employment Board growth board</p> <p>Inclusion board</p> <p>Controls Assurance Statement</p>	<p>National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk.</p> <p>In addition, assurances received at a regional level (e.g. through the West Midlands Combined Authority) will also inform the adequacy and effectiveness of the regional initiatives being employed to manage this risk.</p>
23	<p>Cyber Security</p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p>	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>Audit and Risk Committee review of risk – July 2017</p> <p>Internal audit review - ICTS Strategic Planning</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Reports to SEB and Cabinet (Performance Monitoring)</p>	<p>Regular maintenance and review of technical defence's i.e. fire walls and virus software.</p> <p>Senior Information Risk Officer Annual Report</p> <p>Appointment of Chief Cyber Security Officer</p> <p>Controls Assurance Statements</p>	<p>Independent testing of the Council's cyber security defences will continue to provide assurance.</p>
24	<p>Maximising Benefits form West Midlands Combined Authority</p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p>	6 Amber	<p>SEP monitoring via WMCA SEP Board and Black Country LEP.</p> <p>WMCA Assurance framework</p> <p>Reports to WMCA Board and various Committees</p> <p>City of Wolverhampton Council providing the internal audit service for WMCA</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed</p>	<p>Regular reports to SEB</p> <p>Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee.</p> <p>Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017</p>	<p>Appointment of Business Support Officer</p> <p>Controls Assurance Statement</p>	<p>Council representation on key WMCA Boards and Committees will continue to provide assurance.</p>

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25	Payment Card Industry Data Security Standard If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard there is a risk of data breaches and which may result in regulatory action, financial penalties and reputational damage.	8 Amber	Advice provided by the Payment Card Industry	Progress reporting to the Hub Management / Customer Services Management Teams Compliance with contract procedure rule / liaison with Corporate Procurement	Controls Assurance Statement	The implementation of a 3 rd party solution to take and process payment details on behalf of the Council will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3 rd party.
26	Community Cohesion There is a risk of an escalation in community tensions in response to external influences i.e. Terrorism, national policy changes e.g. Brexit and national events such as riots.	4 Amber	Partnership working with West Midlands Police and various community groups / faith leaders	Regular meetings of the Community Cohesion Forum Quarterly returns to Police and Crime Commissioner SWP Board monitoring of the objectives within the Community Safety and Harm Reduction Strategy	Daily monitoring of hate crime figures and reports of community unrest	The low numbers of reported instances continue to provide assurance that this area is well managed.
27	Safety concerns around the City's tower blocks Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this.	5 Amber	Independent testing by a Government approved laboratory – confirming that tower-blocks have passed fire safety tests. Review of emergency access to tower-blocks by the Fire-Service Audit and Risk Committee review of risk – July 2017	Regular reporting of fire safety issues to weekly fire safety meetings Reports from fire safety meetings to Senior Officers / SEB Reports to Scrutiny Scoping Group – Fire Safety in tower-blocks	Daily fire safety checks Implementation of Fire Risk Assessments (Type 4 FRS's) Continuing compliance with Fire Regulatory (Fire Safety) Reform Order 2005 On-going consultation with residents	Joint work with Wolverhampton Homes, the Fire Service and specialist contractors is on-going to review fire safety and provide assurance to residents.
28	Health and Safety Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.	8 Amber	Key Performance Indicators: • Completed Health and Safety audits • Compliance with RIDDOR reporting	Bi-weekly Health and Safety Meetings Strategic Director Place Senior management briefings and presentations, including reports to Wolverhampton Homes Board Approval of the Health and Safety Plan 2017-19	Regular Health and Safety audits in accordance with audit schedule.	The number of reported incidents will continue to provide assurance in this area. In addition, approval of the Health and Safety plan 2017-19 and monitoring of targets set out within the plan will provide assurance that controls are in place.
29	Fire Safety – Public Buildings If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.	10 Amber	Due to timing constraints, the Assurance Map will be updated prior to the next Committee meeting scheduled for 12 March 2018, once the levels of assurance have been properly assessed.			

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 11 December 2017
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Report title	Internal Audit Update – Quarter Two
Accountable director	Claire Nye, Finance
Accountable employee(s)	Peter Farrow Head of Audit Tel 01902 554460 Email peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2017-2018 audit plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The internal audit update report as at 30 September 2017 (quarter two) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

3.0 Progress, options, discussion, etc.

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/27112017/H)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/28112017/Q)

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.

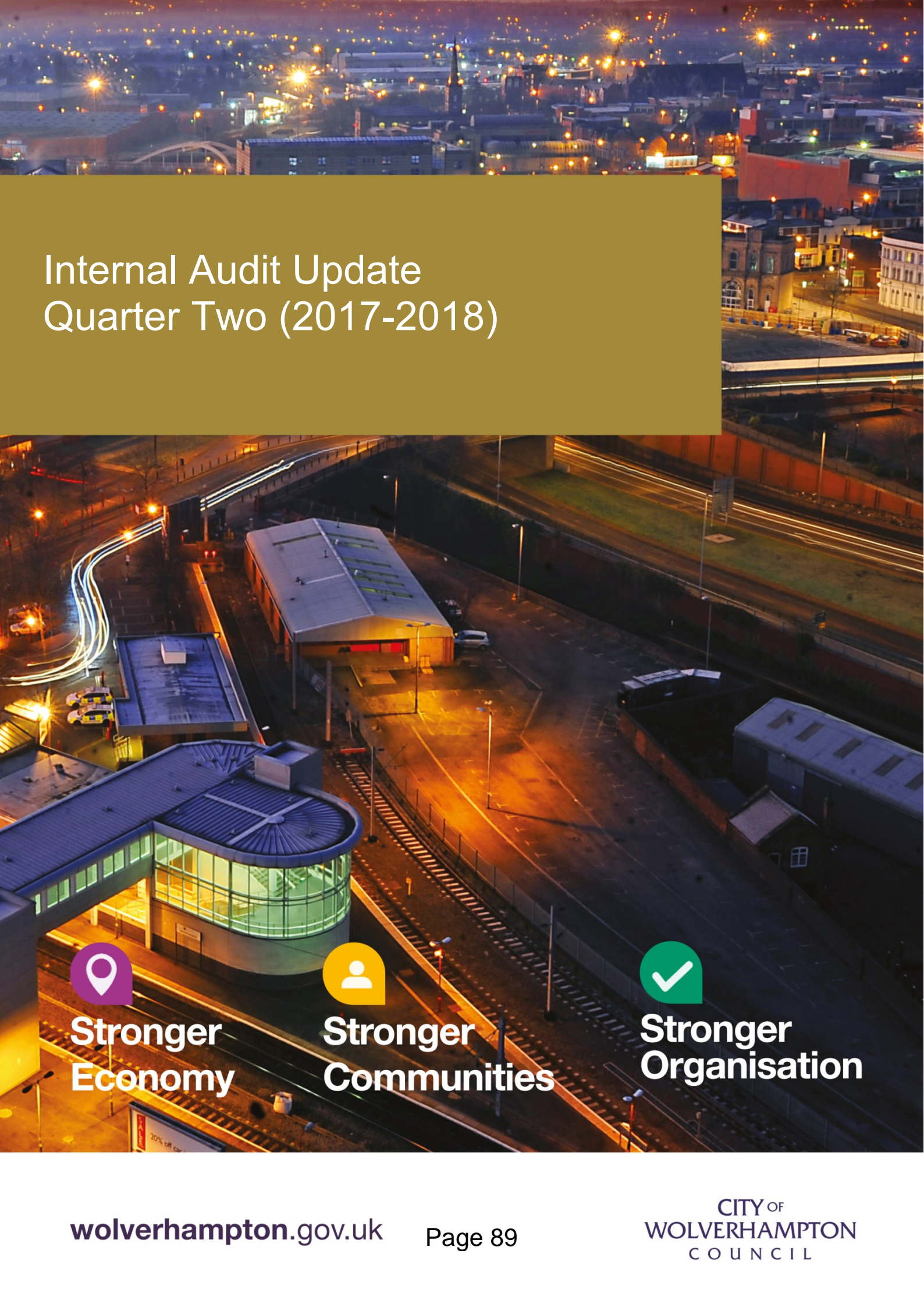
8.0 Human resources implications

- 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 Two (2017-2018)



**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 2017-2018 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

20 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	2017/18 (@ Q2)	2016/17	2015/16
Substantial	5	19	13
Satisfactory	10	10	35
Limited	5	8	14

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:							
Senior Officers Remuneration	High	-	-	-	-	-	N/A
WV Active Income Banking & E-turns	Medium	2	3	2	7	7	Limited
Management IR35 & Interims	Medium	-	4	4	8	8	Satisfactory
Use of Pharmaoutcomes	Medium	-	2	2	4	4	Limited
Bushbury Nursery	Medium	-	1	4	5	5	Substantial
Uplands Junior School	Medium	-	2	8	10	10	Satisfactory
Spring Vale Primary School	Medium	-	1	10	11	11	Substantial
Bushbury Hill Primary School	Medium	-	2	7	9	9	Satisfactory
Stow Heath Primary School (enhanced Service)	Medium	-	8	4	12	12	Satisfactory
Goldthorne Primary School	Medium	-	2	-	2	2	Satisfactory
St Patricks Primary School	Medium	7	24	2	33	33	Limited
Whitgreave Infants School	Medium	-	2	-	2	2	Substantial
Contract Management Arrangements - Transport Capital Programme	Medium	1	2	-	3	3	Limited
Reported this quarter for the first time:							
Human Resources – Policy Management	Medium	-	5	1	6	6	Satisfactory
Looked After Children	Medium	1	3	1	5	5	Limited
Payroll Overpayments	Medium	-	2	2	4	4	Satisfactory

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Financial Decision Making Processes	High	-	-	-	-	-	N/A**
Eastfield Primary School	Medium	-	1	3	4	4	Substantial
Fallings Park Primary School	Medium	-	2	6	8	8	Substantial
St. Luke's CE Primary School	Medium	-	5	6	11	11	Satisfactory
Lanesfield Primary School	Medium	-	8	11	19	19	Satisfactory
Off-Site School Visits	Medium	-	4	-	4	4	Satisfactory
Carbon Reduction Credits Scheme	High	-	-	-	-	-	N/A

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

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.

Pay Strategy

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 30 September 2017 and these will be reported upon in later update reports.

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

There was only one limited assurance report issued during quarter two details of which are provided below:

Looked After Children

The purpose of this review was to ensure that the controls for the payment of fees and allowances for Looked After Children were operating effectively and in accordance with agreed policies. We found that changes to policies and rates paid were not being effectively communicated outside the directorate. Also, the rates set up in the computer system Care First, differed from the rates approved by Cabinet. This led to routine manual interventions to ensure carers were paid correctly. Management accepted the recommendations we made and developed an action plan. This audit will be followed up as part of our future follow up plan.

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. During this quarter we have followed up recommendations in respect of the following reports:

- The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Libraries Statistics
- Debt Recovery Arrangements
- D'Eyncourt Primary School
- St. Patricks School

A review of the recommendations in the debt recovery arrangements report identified that significant progress had been made to implement the three red and five amber recommendations in the report. Our follow-up review identified only one amber recommendation that had not yet been implemented which related to the promotion of direct debits as a payment method.

6 *Changes to the Audit Plan since those reported in quarter one*

Audit Area	Audit Plan as at the end of Quarter one	Audit changes during Quarter 2	Revised number of audits as at end Quarter 2
Corporate	13	-	13
Key Financial Systems / Grants	12	-	12
People	9	-	9
Education	20	-	20
Place	11	1	12
Housing	2	-	2
Total	67	1	68

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 audit has been added since the last update was presented at the end of quarter one:

Outdoor Public Events

This audit was specifically requested due to a number of issues arising in this area.

CITY OF WOLVERHAMPTON COUNCIL	<h1>Audit and Risk Committee</h1> <p>11 December 2017</p>
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Report Title Audit Services – Counter Fraud Update

Accountable Director Claire Nye Finance

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

**Report to be/has been
considered by** Not applicable

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

3.0 Progress, options, discussion, etc.

- 3.1 At the last meeting of the Audit and Risk Committee in September 2017, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report. (GE/27112017/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. (TS/28112017/W)

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 @ November 2017



1 *Introduction*

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

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

2 *The Counter Fraud Unit*

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

3 *Counter Fraud Update*

Counter Fraud Plan

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

Counter Fraud Unit Developments

In November 2017, the Tenancy Fraud Team at Wolverhampton Homes TUPE transferred to the Council and have joined the Counter Fraud Unit. Following the transfer, the team will continue to provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

The move to the Council will enable the team to use more extensive investigatory powers under the 'Prevention of Social Housing Fraud Act 2013'. These powers were not available to them while working for Wolverhampton Homes, which is an ALMO where the powers do not apply. These new powers will enhance the potential for the successful prosecution of tenancy fraud cases.

In joining the Council's Counter Fraud Unit, the team will use their investigatory expertise to investigate new areas of fraud which impacts on the Council. This will enhance the Council's ability to tackle fraud.

National Anti-Fraud Network Intelligence Notifications

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. This financial year there have been 15 alerts issued by NAFN, which either involved suppliers used by the Council or are applicable to all Councils. The appropriate sections of the Council have been alerted and in each case, it was confirmed that there was no impact at Wolverhampton. The

most common alerts related to Bank Mandate fraud and cyber fraud including ransomware.

National Fraud Initiative

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

The current exercise commenced in January 2017 and a total of 13,526 matches have now been released of which the Cabinet Office has identified 4,558 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. 2,637 matches have been processed, 117 are being investigated. Three frauds have been investigated and 442 errors identified. Details of the progress made will be brought before the Committee as it becomes known. Examples of the progress made since the last Counter Fraud Report in September 2017 are shown below:

Description	Previous value (£)	Current value (£)
Housing benefit claimants to student loans	0	2,682
Housing benefits claimants to pensions	0	11
Pensions / Pension Gratuity to DWP Deceased	0	147
Council Tax Reduction Scheme to DWP Deceased	0	3,537
Total	0	6,377

BBC One's Council House Crackdown

Wolverhampton Homes and the work they do in tackling social housing fraud across the City was featured in a recent series of the BBC One programme 'Council House Crackdown' which aired in the morning on BBC One. Three cases were featured during the series of which one was also featured in a prime-time compilation programme. A further three cases have been recorded for the next series of the programme. The officer features in the programmes are members of the Tenancy Fraud Team that have transferred to the Council's Counter Fraud Unit (see above).

Partnership Working

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's Counter Fraud Plan. 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 November 2017, topics discussed included Joint working with the DWP, GDPR, Direct Payment investigations, Tenancy fraud, scams and cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided by Natwest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed Spring 2018
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Spring 2018
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2018
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
	Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).
Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.		On-going. Latest exercise commenced January 2017
Complete the annual CIPFA fraud survey.		CIPFA Survey completed June 2017
Investigate opportunities to develop the use of NFI real time and near real time data matching.		Used for additional Single Person Discount data match Summer 2016
Participate in CIPFA's technical information service.		On-going
Maintain membership of the Midlands Fraud Group.		On-going – last meeting November 2017 next meeting February 2018
Attend external fraud seminars and courses.		CIPFA Counter Fraud Summit - November 2017 National Anti-Fraud Network Summit – October 2017

Issue	Action	Timescale
		<p>RBS Fraud Seminar – October 2017</p> <p>Natwest Fraud Training – June 2017</p>
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> • New CIPFA Code of Practice 	June 2015 (the last time required)
	<ul style="list-style-type: none"> • The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English Public Purse 	Annually
	<ul style="list-style-type: none"> • Department for Communities and Local Government – ten actions to tackle fraud against the Council. 	On-going
	<ul style="list-style-type: none"> • Consideration of fraud resilience toolkit 	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	November 2017 - Wolverhampton Homes Tenancy Fraud Team transfer to Council's Counter Fraud Unit
	Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.	On-going
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; The TEICCAF Annual Protecting the English Public Purse report, Cipfa's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established

Issue	Action	Timescale
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 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 – planned for Winter 2017
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the Council.	Fraud surgeries planned for Spring 2018
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	Corporate Fraud Group established
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Fraud Risk Register @ November 2017

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

CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 11 December 2017
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Report title	Internal Audit – External Assessment	
Accountable director	Claire Nye, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for decision:

The Committee is recommended to:

1. Approve the option for the Council's internal audit team to undertake a self-assessment with independent valuation in order to meet the requirement of the Public Sector Internal Audit Standards for an external assessment to be carried out at least once every five years.

1.0 Purpose

- 1.1 This report is to update the Committee on the Council's planned approach to undertaking an external assessment of its internal audit function.

2.0 Background

- 2.1 As part of the Public Sector Internal Audit Standards there is a requirement for an external assessment of the internal audit service to be carried out at least once every five years and that this may be satisfied by either arranging for a full external assessment or by undertaking a self-assessment with independent validation.
- 2.2 Consideration has been given to both of these options and due to a number of factors the option to undertake a self-assessment with independent validation is the preferred choice. These factors include the financial savings against the costs involved in procuring a full external assessment, that a good level of assurance can already be placed on the existing strong working relationship between the internal auditors, the Audit and Risk Committee and the external auditors, and the planned approach to the independent valuation by following the Chartered Institute of Public Finance and Accountancy's (CIPFA's) local government application note for the Public Sector Internal Audit Standards.
- 2.3 This application note states that if an externally validated self-assessment is chosen, that the checklist included in the application note is recommended. Therefore, this checklist will be used and will be externally validated.
- 2.4 In a reciprocal peer review arrangement with Solihull Metropolitan Borough Council, the validation will be undertaken by their Head of Audit Services - Steve Sparkes (*QIAL, CIA, CMIA, CCIP) who has 30 years' experience in public sector auditing covering local government, health, police and education. He is a Qualified Internal Auditor and Investigator with experience of performing peer reviews, audit and consultancy work for other public sector organisations including colleges, parish council's and other local authorities. He has been the Head of Audit Services for 15 years at Solihull MBC.
- * QIAL – Qualification in Internal Audit Leadership
CIA – Certified Internal Auditor
CMIA – Chartered Member of the Institute of Internal Auditors.
CCIP – CIPFA, Certificate in Investigative Practice.
- 2.5 The public sector requirement mandates that local authorities must find an appropriate sponsor and suggests that this could be the audit committee chair. Therefore, the Chair of the Audit and Risk Committee will be the appropriate sponsor and will meet with the external validator as part of the process.
- 2.6 As part of the exercise the validator will also make contact with a sample of both senior managers and Audit and Risk Committee members in order to take into account and incorporate their views and comments.

3.0 Progress, options, discussion

3.1 The results of the external assessment will be reported back to the Audit and Risk Committee by the external validator.

4.0 Financial implications

4.1 There is no charge for the independent valuation because of the reciprocal peer review arrangement entered into with Solihull Metropolitan Borough Council.
[GE/27112017/P]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report.
(TS/28112017/P)

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

10.1 Public Sector Internal Audit Standards.

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CITY OF WOLVERHAMPTON COUNCIL	Audit and Risk Committee 11 December 2017
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Report title	Payment Transparency	
Accountable director	Claire Nye, Finance	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

- Following the introduction of Agresso, the Council now publishes its own spend data, instead of using a third party.
- The data is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
- In addition, to the spend to date, the site also includes spend for the financial years from 2011.
- Since last reported to the Audit and Risk Committee in September 2017, there have been no requests for information from the public (as an 'armchair auditor').

3.0 Progress, options, discussion

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

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. (GE/27112017/E)

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. (TS/28112017/T)

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

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

10.0 Schedule of background papers - None

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