

**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 Philip Bateman MBE  
Cllr Jasbir Jaspal  
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:

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**Tel/Email** Tel: 01902 555835 or dereck.francis@wolverhampton.gov.uk  
**Address** Democratic Services, Civic Centre, 1<sup>st</sup> floor, St Peter's Square,  
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**Website** <https://wolverhamptoninternet.moderngov.co.uk>  
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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 - 11 December 2017** (Pages 5 - 12)  
[For approval]
- 4            **Matters arising**  
[To consider any matters arising from the minutes]

### DECISION ITEMS

- 5            **External Audit Plan** (Pages 13 - 36)  
[To receive an update on the Audit Plan 2017/2018 from the Council's external auditors, Grant Thornton]
- 6            **External Audit Communication** (Pages 37 - 66)  
[To consider the report from the Council's external auditors, Grant Thornton]
- 7            **Strategic Risk Register and Strategic Assurance Map** (Pages 67 - 96)  
[To receive an update on the key risks the Council faces and how it can gain assurance that these risks are being mitigated]
- 8            **Internal Audit Update - Quarter Three** (Pages 97 - 106)  
[To receive an update on the progress made against the 2017-2018 audit plan and to provide information on recent work that has been completed]
- 9            **Internal Audit Plan 2018-2019** (Pages 107 - 128)  
[To review and approve the risk based internal audit plan for 2018-2019]
- 10          **Review of Fraud Related Policies and Procedures** (Pages 129 - 148)  
[To review and approve the Council's fraud related policies and procedures]
- 11          **Audit Services - Counter Fraud Update** (Pages 149 - 182)  
[To receive an update on current counter fraud activities undertaken by Audit Services]
- 12          **West Midlands Combined Authority - Assurance** (Pages 183 - 186)  
[To receive an update on the role of the West Midlands Combined Authority's Audit, Risk and Assurance Committee]
- 13          **Payment Transparency** (Pages 187 - 190)

[To receive an update on the Council's current position with regards to the publication of all its expenditure]

- 14      **CIPFA Audit Committee Update - Issue 24** (Pages 191 - 194)  
[To note the contents of the latest CIPFA Audit Committee Update, Issue 24 – The Audit Committee Role in Risk Management and a Regular Briefing on Current Issues]

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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 Philip Bateman MBE  
Cllr Andrew Wynne  
Mike Ager (Independent member)  
John Humphries (Independent member)

### Employees

Dereck Francis	Democratic Services Officer
Emma Bland	Finance Business Partner
Peter Farrow	Head of Audit
Mark Wilkes	Audit Business Partner

### External Auditors – Grant Thornton

Nicola Coombe

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

*Item No. Title*

- 1 Independent Member on the Panel**  
The Chair welcomed John Humphries to the meeting. Mr Humphries had been appointed to fill the vacancy for an independent member on the Committee following the resignation of Terry Day.  
  
John Humphries gave a brief summary of his work background and experience.
- 2 Apologies for absence**  
Apologies for absence were submitted on behalf of Councillors Jasbir Jaspal and Martin Waite.

Dereck Francis, Democratic Services Officer informed the Committee that Councillor Philip Bateman MBE had been appointed onto the Committee as a replacement for Councillor Rupinderjit Kaur.

3 **Declaration of interests**

There were no declarations of interests.

4 **Minutes of previous meeting - 18 September 2017**

Resolved:

That the minutes of the meeting held on 18 September 2017 be approved as a correct record and signed by the Chair.

5 **Matters arising**

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

6 **Annual Audit Letter and Grant Certification Work**

Nicola Coombe from the Council's external auditors, Grant Thornton presented the key points from a report covering:

- their 2016/2017 Annual Audit Letter which summarised the key findings from their work carried out at the Council for the year ended 31 March 2017;
- an update on their grant certification work to certify the Council's Housing Benefit Subsidy Claim on behalf of the Department for Work and Pensions; and
- an audit progress report and sector update report on their progress in delivering their responsibilities as external auditors.

Referring Grant Thornton's Value for Money work and the West Midlands Combined Authority (CA), Councillor Philip Bateman MBE requested an update on arrangements the Council had in place to action the external auditors recommendation regarding monitoring of the funding from the Devolution Deal and economic growth and any risks this brings to the Council. Emma Bland, Finance Business Partner undertook to refer the question to the Director of Finance and report back to the Committee. Peter Farrow, Head of Audit reported that obtaining the best out of the CA had been on the Council's strategic risk register and the Council had a strong presence on the CA. As the Council pulled back its involvement on the CA, it would need to make sure that it continued to have a presence at the CA. Mike Ager, Independent Member noted, in part, that the strategic assurance map covered the Council's monitoring arrangements for the CA.

Responding to the Chair on the key risk to the Council from the CA, Grant Thornton reported that finances was a key risk. The Council made a financial contribution to the CA who would have its own risks and ways of working. Given that the Council contributed it would need to know the basis of how the CA worked and what, if any, expenditure the Council would have to incur.

Mike Ager, Independent Member asked whether the CA had a risk register and whether it was publicly available. The Chair confirmed that there was a publicly available register. He also recalled that the Committee had previously agreed to include updates on CA audit work on the agenda of future meetings. The Head of Audit confirmed that a report would be presented at the end of the year once the CA Audit Committee had received its annual reports from its internal and external auditors. Thereafter the business of the CA Audit and Risk Committee would be a standard item on the Committee's agenda.

In response to the Chair, the Finance Business Partner agreed to report back on the outcome of the additional internal testing following the Grant Certification work.

Resolved:

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

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

Peter Farrow, Head of Audit presented the report on the key risks the Council faced and how the Committee could gain assurance that the risks were being mitigated. In doing so he informed the Committee that the Regeneration Manager was unable to attend the meeting to discuss in detail key risk 9 - City Centre Regeneration. The item would therefore be included on the agenda for the next meeting on 12 March 2018.

With reference to risk 29 – Fire Safety – Public Buildings, John Humphries, Independent Member, reported that the Local Authority now had responsibility to ensure that private landlords carrying out works to their properties. He asked whether this was incorporated in risk 29. The Head of Audit undertook to speak to the risk owner to confirm whether it incorporated the responsibility placed on local authorities.

Councillor Phil Bateman informed the Committee of a Scrutiny Review into Fire Safety which had taken place over two and a half days. The report and recommendations from the scrutiny review were being drafted. He suggested that the Committee wait for the scrutiny report to be finalised and released before inviting the risk owner to attend a future meeting to discuss the risk 29 in more detail.

Mike Ager, Independent Member stated that he understood the logic behind the decision to combine risk 1 – Looked After Children (LAC) and risk 21 – Transforming Adult Social Care Programme with risk 4 – Medium Term Financial Strategy but was concerned that the two high profile areas of LAC and Transforming Adult Social Care might be lost. The Head of Audit reported that his team would make sure the profile of the two risks are not diminished.

Mike Ager, Independent Member also noted from the assurance map that some of the external/ independent assurance and types of assurance dated back to 2014. He asked that the map be reviewed to make it more current. The Head of Audit undertook to consider whether any of the contents of the assurance map had become aged or redundant and to update it where appropriate.

Councillor Phil Bateman reported that if the comment in the assurance map on risk 26 – Community Cohesion was correct it was something that should be applauded and highlighted. The Committee agreed that the risk owner be invited to the next meeting to discuss the risk in more detail.

The Chair asked whether additional work was required by the Council for the implementation of the General Data Protection Regulation (GDPR) that would come into force during May 2018. The Head of Audit reported that the Council had an Information Governance Board which had been tasked with getting the Council ready for the new Regulation. A member of his Audit team served on the Board which would give the Committee some assurance from an audit perspective.

Resolved:

1. That the Strategic Risk Register as at Appendix 1 to the report be noted.
2. That it be noted 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 had been amended accordingly.
3. That the increase in the risk score for risk 3 – Information Governance due to issues around the implementation of the General Date Protection Regulations which are due to come into effect on the 25 May 2018 be noted.
4. That the reduction in the assessment of the following risks be noted:
  - 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 had been achieved the risk had 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 had now been resolved.
5. That the change in the target date for the following risks be noted:
  - 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. That the identification of the following two new risks be noted:
  - 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. That the main sources of assurance available to the Council against its strategic risks at Appendix 2 to the report be noted.
8. That risk 9 – City Regeneration and risk 26 – Community Cohesion be considered at the next meeting and the risk owners be invited to attend.

8 **Internal Audit Update - Quarter Two**

Peter 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.

Councillor Christine Mills said that she was pleased to hear from the Head of Audit that the issues highlighted from the review of controls for the payment of fees and allowances for Looked After Children, which she felt had been a longstanding issue, would now be resolved and that notwithstanding the issues highlighted in the review, carers were being paid the correct amounts.

In response to questions on the audit review at St Patricks Primary School, the Head of Audit undertook to report back to the next meeting on the outcome of the follow up visit to review progress on implementing the agreed recommendations. The Head of Audit also confirmed that the draft report on Outdoor Public Events had been circulated to the Strategic Director and Head of Service. Once agreed, the findings and recommendations would be presented to the next available meeting of the Committee.

Resolved:

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

9 **Audit Services Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services.

In response to a request made at the previous meeting on 18 September 2017 the Audit Business Partner reported that all Council employees above Head of Service were required submit a declaration of interests return. Employees below that level were required to record an interest where one arose in relation to their job.

Responding to other questions, the Audit Business Partner reported on the transfer of the Tenancy Fraud Team at Wolverhampton Homes to the Council and the Counter Fraud Unit, and that team's ability to now use more extensive investigatory powers under the Prevention of Social Housing Fraud Act 2013. The Business Partner also reported that the 117 matches being investigated from the data matching exercise were mainly housing benefit cases, and that the Council had not lost out financially from the 442 errors identified through the National Fraud Initiative's data matching exercises.

Councillor Philip Bateman MBE also commented that the BBC One programme 'Council House Crackdown' which had featured the work of Wolverhampton Homes (WH) in tackling social housing fraud across the city had been useful in highlighting the work of WH and the Council in this area. He added that he would welcome more cases highlighting the work of WH and the Council in this area.

Resolved:

That the contents of the latest Audit Services counter fraud update be noted.

10 **Annual Governance Statement - Action Plan Update**

Peter Farrow, Head of Audit presented the update on the action plan for the Council's Annual Governance Statement 2016-2017.

Resolved:

That the progress made in addressing the key improvement areas identified in the 2016-2017 Annual Governance Statement action plan be noted.

11 **Internal Audit - External Assessment**

Peter Farrow, Head of Audit presented the report on the Council's planned approach to undertaking an external assessment of its internal audit function. It was proposed that the Council undertake a self-assessment with independent validation of the Audit Service. In a reciprocal peer review arrangement with Solihull Metropolitan Borough Council, the validation would be undertaken by their Head of Audit Services, Steve Parkes. It was anticipated that the external validation process would be completed by the end of February 2018 and that the results would be reported to the meeting of the Committee in March 2018.

Councillor Philip Bateman MBE asked how highly regarded Solihull's internal Audit Service was in the service area. The Head of Audit informed the Committee that Solihull Metropolitan Borough Council had a strong Audit department and a good internal audit function and the Head of Service was well qualified and regarded.

Resolved:

That 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 be approved.

12 **Payment Transparency**

Peter Farrow, Head of Audit updated the Committee with the current position regarding the Council's publication of all its expenditure activity since the last meeting of the Committee in September 2017. No armchair requests had been made since the last report to the Committee.

Resolved:

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

13 **Exclusion of the Press and Public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within the paragraphs 1, 2 and 3 of Schedule 12A of the Act.

## **Part 2 - exempt items, closed to press and public**

14 **Audit Investigations Update**

Mark Wilkes, Audit Business Partner presented the report on the current position of a recently completed audit investigation.

Members of the Committee expressed concern at the findings from the audit investigation and that the Council's Contract Procedure Rules had not been observed in this instance. They sought assurances that there were no other occurrences of failure to comply with Contract Procedure Rules and to action

recommendations from Audit investigations. Peter Farrow, Head of Audit reported that the failings identified from the investigation were a rare occurrence which had been identified by the Procurement Team in the first instance. A check should have been made of an employee's interests which should have been registered via Agresso. The Head of Audit undertook to check whether there was an internal sign off on Agresso to indicate when such checks are made.

Councillor Philip Bateman MBE noted that the Director of Governance issued reminders to all Council employees of the need for them to register their interests. He suggested that it would do no harm for the Council's Communications team to be contacted about issuing a staff brief to reiterate the advice from the Director of Governance. The Chair suggested that it might be more appropriate for the Council's Managing Director to cascade down the requirement.

Resolved:

That current position with regards to audit investigation be noted.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>12 March 2018</p>
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<b>Report title</b>	External Audit Plan	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Emma Bland Tel Email	Finance Business Partner 01902 553928 Emma.Bland2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	None	

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**Recommendation for noting:**

The Committee is asked to note:

1. The Audit Plan 2017/2018 from the Council's external auditors, Grant Thornton.

## 1.0 Purpose

- 1.1 To update members of the committee on the Audit Plan from the Council's external auditors, Grant Thornton, for the year ended 31 March 2018.

## 2.0 Background

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

## 3.0 Financial implications

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

Audit fees	2016-2017 £	2017-2018 £
Council Audit	189,428	189,428
Grant Certification	19,128	14,128
<b>Total</b>	<b>208,556</b>	<b>203,556</b>

Independence & non-audit services	2016-2017 £	2017-2018 £
<b>Total</b>	<b>35,000</b>	<b>71,615</b>

[EB/02032018/S]

## 4.0 Legal implications

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

[RB/28022018/W]

## 5.0 Equalities implications

- 5.1 There are no equality implications arising from this report

## 6.0 Environmental implications

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

## 7.0 Human resources implications

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

**8.0 Corporate landlord implications**

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

**9.0 Schedule of background papers**

9.1 None

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# External Audit Plan

*Year ending 31 March 2018*

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City of Wolverhampton Council

12 March 2018

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

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# Introduction & headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Risk committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

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

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

## Significant risks

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

- Management override of controls
- Net Pension Liability
- Valuation of Property, Plant & Equipment

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

## Materiality

We have determined planning materiality for the Council to be £15.565m (PY £13.465m), which equates to 1.75% of your prior year gross expenditure of £889.4m. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.778m (PY £0.673m). In addition, we will be applying a lower materiality to senior management remuneration due to the sensitive nature of these disclosures. This materiality will be £100k.

## Value for Money arrangements

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

- Financial resilience
- Strategic asset management

## Audit logistics

Our interim visits will take place in February and March and our final visit will take place in June. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £189,428 (PY: £189,428) for the Council.

## Independence

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

# Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges
<p><b>Commercialisation</b></p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.</p>	<p><b>Devolution</b></p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. A second devolution deal to promote growth for the West Midlands Combined Authority was published 23 November 2017. It notes that "the election of the Mayor, the changing economic context ... and the establishment of a Strategic Economic Plan for the three-LEP area has expanded both the ambition of the outcomes and the pace of delivery that local partners seek to achieve."</p> <p><b>Accounts and Audit Regulations 2015 (the Regulations)</b></p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p><b>Changes to the CIPFA 2017/18 Accounting Code</b></p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p><b>Housing Revenue Account (HRA)</b></p> <p>DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :</p> <ul style="list-style-type: none"> <li>- extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18,</li> <li>- confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA.</li> </ul> <p><b>Financial pressures</b></p> <p>The revenue outturn position for 2016/17 was a net underspend of £0.3 million, which comprised achievement of a savings target of £26.4 million for the year.</p> <p>The Quarter 2 Revenue Budget Monitoring report notes that the overall projected outturn for the General Fund for 2017/18 is an overspend of approximately £1m, which is an improved position on the position as at July 2017 which forecast an overspend of £2.1m.</p> <p>The Council is facing further budget reduction and income generation proposals totalling £20.5 million over the two-year period to 2019-20.</p> <p><b>Impacts of Grenfell Tower fire</b></p> <p>The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety tests. Local authorities are expected to make these buildings fire safe. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.</p> <p>The Audit and Risk Committee received an update in July 2017 from the former Strategic Director of Housing and Chief Executive of Wolverhampton Homes Limited (WHL) of the work that is being undertaken by the Council and WHL in this area to ensure the ongoing safety of residents.</p>

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including the City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the City of Wolverhampton Council.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of property, plant and equipment</b>	<p>The Council revalues all assets over £1m on an annual basis with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every 5 years, in line with the Code requirements.</p> <p>This is to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• consider the competence, expertise and objectivity of any management experts used.</li> <li>• discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>• review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• test revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• evaluate of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>
<b>Valuation of pension fund net liability</b>	<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 identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> </ul>

# Reasonably possible risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;</li> <li>• gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;</li> <li>• obtain year-end payroll reconciliation and ensure the amount in the accounts can be reconciled to ledger and through to payroll reports, investigating significant adjusting items if applicable.</li> <li>• agree payroll related accruals to supporting documents and review any estimates for reasonableness.</li> </ul>
<b>Operating expenses</b>	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;</li> <li>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;</li> <li>• test a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period.</li> </ul>

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# Other matters

## Other work

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

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

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

# Materiality

## The concept of materiality

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

## Materiality for planning purposes

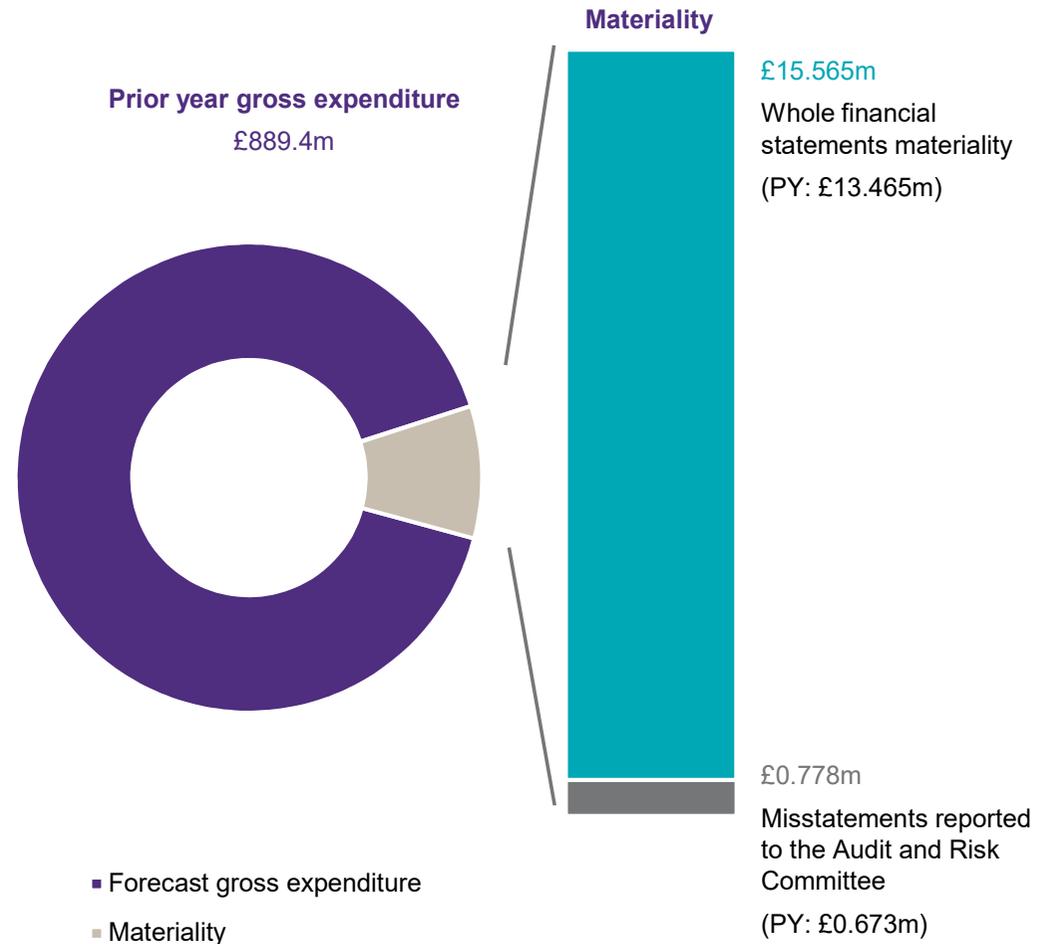
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £15.565m (PY £13.465m), which equates to 1.75% of your 2016/17 forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We also consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.778m (PY £0.673m).

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



# Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
<b>Wolverhampton Homes Limited</b>	Yes	Targeted	No risks identified. This is a 100% subsidiary and is material to the group. Therefore consolidation proposed.	Full scope UK statutory audit performed by Grant Thornton UK
<b>Yoo Recruit Limited</b>	No	Analytical	No risks identified. This is a 100% subsidiary and is not expected by management to be material to the group. Therefore no consolidation proposed.	We will review management's proposals and obtain evidence to support the conclusion that no consolidation is required. Desktop review performed by Grant Thornton UK for purpose of group accounts.
<b>WV Living Ltd</b>	No	Analytical	No risks identified. This is a 100% subsidiary and is not expected by management to be material to the group. Therefore no consolidation proposed.	We will review management's proposals and obtain evidence to support the conclusion that no consolidation is required. Desktop review performed by Grant Thornton UK for purpose of group accounts.

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## Audit scope:

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

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

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

# Value for Money arrangements

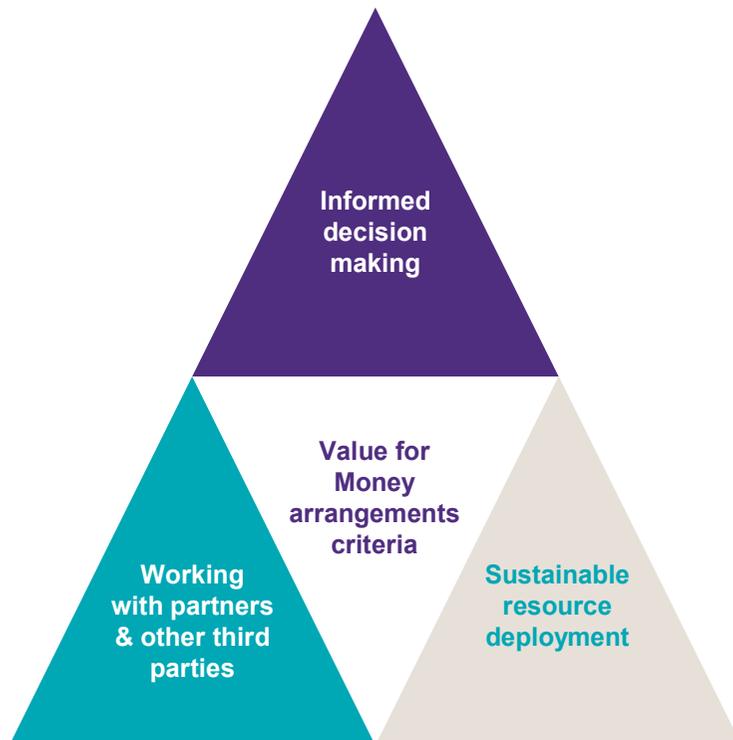
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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



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## Significant VFM risks

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



### Financial resilience

The Council has historically managed its finances well, achieving financial targets and is forecasting an overspend against the general fund of £1.0m for 2017/18. Nevertheless, the scale and pace of change for local government will affect future projections and it is important the Council is on track to identify and produce savings required to deliver balanced budgets in 2018/19 and 2019/20.

The Budget and Medium Term Financial Strategy approved by Council on 1 March 2017 identified that the Council would be faced with finding further budget reduction and income generation proposals totalling £20.5 million over the two-year period to 2019/20 (with £14.8 million required for 2018/19). This assumes the achievement of prior year budget reduction and income generation proposals amounting to £33.8 million over the three-year period to 2019/20. There is therefore still a gap to address in terms of future funding and savings solutions.

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



### Strategic Asset Management

The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets within the Place Directorate in January 2015 the opportunity was being taken to further embed the Strategic Asset Management function and was intended to ultimately establish a Strategic Asset Management Plan.

It was noted in the 2015/16 and 2016/17 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.

We will review the Council's progress against this for 2017/18 through discussion with officers and review of relevant documents we will assess whether these actions have been undertaken and are effective.

# Audit logistics, team & audit fees



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## Mark Stocks, Engagement Lead

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



## Nic Coombe, Audit Manager

As the engagement manager, Nic is responsible for overseeing the delivery of our service. She will be on hand to answer any queries, whilst ensuring an efficient audit process.

Mark and Nic will be supported by:

## Panayiotis Yiannakou, Audit Incharge

Panayiotis will lead the on-site audit team, effectively providing a hands on compliance and/or advisory role (as relevant), keeping the finance team abreast of any findings as and when they occur.

## Audit fees

The planned audit fees are no less than £189,428 (PY: £189,428) for the financial statements audit. Our fees for grant certification (indicative £14,128 (PY: £16,455)) cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

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

# Early close

## Meeting the early close timeframe

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

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

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

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

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

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

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

In return, we will ensure that:

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

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# Independence & non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Non-audit services

The non-audit services identified are listed overleaf.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

# Independence & non-audit services continued

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	2,500	Self-Interest (because these are recurring fees)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £189,428 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Compliance audit for Homes and Communities Agency grant	2,115	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,115 in comparison to the total fee for the audit of £189,428 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Audit of subsidiary company Yoo Recruit Limited	15,000	Self-interest (because this is a recurring fee)	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 and in particular Grant Thornton UK's turnover overall and our scope of work does not involve making decisions on behalf of the Council's management.
Audit of subsidiary company Wolverhampton Homes Limited	27,000	Self-interest (because this is a recurring fee)	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 and in particular Grant Thornton UK's turnover overall and our scope of work does not involve making decisions on behalf of the Council's management.
Audit of subsidiary company City of Wolverhampton Housing Company Limited	12,000	Self-interest (because this is a recurring fee)	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 and in particular Grant Thornton UK's turnover overall and our scope of work does not involve making decisions on behalf of the Council's management.

# Independence & non-audit services continued

Service	Fees £	Threats	Safeguards
<b>Non-audit related</b>			
Strategic Financial Management Development Programme: attendance of two delegates from the Council	5,500	None identified	This was a workshop given to finance officers to provide them with skills to be able to work through their own issues and problems. No direct recommendations were made by Grant Thornton to the attendees to implement at their organisation and the work conducted is not relevant and will not be referred to as part of our audit of the financial statements or consideration of value for money arrangements. This piece of work was led by the Local Government Advisory Team who are separate from the audit team.
Agreed Upon Procedures confirming compliance by the City of Wolverhampton College in accordance with the Service Level Agreement in place with the Council	7,500	None identified	<p>The objective of this work was to:</p> <ul style="list-style-type: none"> <li>• Confirm compliance with the requirements of the Service Level Agreement;</li> <li>• Ensure funding has only been provided for students who meet the pre-determined eligibility criteria;</li> <li>• Ensure the level of support and funding are a true reflection of the support provided.</li> </ul> <p>We will not need to consider this work in respect of our other work at the Council on the financial statements or our VFM conclusion.</p>

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# Appendices

A. Revised ISAs

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# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
<b>Conclusions relating to going concern</b>	We will be required to conclude and report whether: <ul style="list-style-type: none"><li>• The directors use of the going concern basis of accounting is appropriate</li><li>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li></ul>
<b>Material uncertainty related to going concern</b> (replaces conclusions relating to going concern when a material uncertainty is identified and disclosed)	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
<b>Other information</b>	We will be required to include a section on other information which includes: <ul style="list-style-type: none"><li>• Responsibilities of management and auditors regarding other information</li><li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li><li>• Reporting inconsistencies or misstatements where identified</li></ul>
<b>Additional responsibilities for directors and the auditor</b>	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
<b>Format of the report</b>	The opinion section appears first followed by the basis of opinion section.

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CITY OF  
WOLVERHAMPTON  
COUNCIL

# Audit and Risk Committee

12 March 2018

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

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## Recommendation for noting:

The Committee is asked to:

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

## **1.0 Purpose**

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

## **2.0 Background**

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

## **3.0 Financial implications**

- 3.1 There are no specific financial implications arising from this report.  
[EB/02032018/S]

## **4.0 Legal implications**

- 4.1 This report and its attachment sets out the legal implications which are in accordance with the Council's Constitution and relevant legislation.  
[RB/28022018/E]

## **5.0 Equalities implications**

- 5.1 There are no equality implications arising from this report

## **6.0 Environmental implications**

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

**7.0 Human resources implications**

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

**8.0 Corporate landlord implications**

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

**9.0 Schedule of background papers**

9.1 None.

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# Informing the audit risk assessment for the City of Wolverhampton Council

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**Year Ended 31 March 2018**

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# Purpose

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The purpose of this report is to contribute towards the effective two-way communication between those charged with governance for the City of Wolverhampton Council (“Council”), and Grant Thornton as your external auditor. The report covers some important areas of the auditor risk assessment where we are required to make inquiries to the Council under auditing standards.

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

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

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

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

This report includes a series of questions on each of these areas and the response we have received from the Council’s management. These responses have been reviewed and agreed by the relevant heads of departments. The Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

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# Fraud

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## Matters in relation to fraud

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

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

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

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

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

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

# Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error?</p> <p>Is this consistent with the feedback from your risk management processes?</p>	<p>The collective processes for closedown, budget monitoring and outturn take into consideration the risk of material misstatement due to error or fraud. Senior finance officers meet regularly to consider any issues arising from budget monitoring and the closedown process. Should any fraud be reported as part of this or any other process corrective action would be taken.</p>
<p>Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 01 April 2017?</p> <p>If so how does the Audit and Risk Committee respond to these?</p>	<p>A report on fraud goes to each of the quarterly Audit and Risk Committee meetings (copies of the reports can be made available upon request). However, there are none that would be viewed as material.</p>
<p>Do you suspect fraud may be occurring, either within the Council or within specific departments?</p> <ul style="list-style-type: none"> <li>• Have you identified any specific fraud risks?</li> <li>• Do you have any concerns there are areas that are at risk of fraud?</li> </ul> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>The Council takes into account the findings in publications such as the CIPFA “ Fraud Tracker Survey” which identifies fraud trends, and those areas more susceptible to fraud. From this a Fraud Risk Register has been developed, which in turn, is used to inform and drive the Counter Fraud plan.</p> <p>The Council also works closely with Wolverhampton Homes in order to help tackle the risk of Housing Fraud.</p>

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# Fraud risk assessment (continued)

Question	Management response
<p>Are you satisfied that the overall control environment is robust, including:</p> <ul style="list-style-type: none"> <li>the process for reviewing the system of internal control;</li> <li>internal controls, including segregation of duties; exist and work effectively?</li> </ul> <p>If not where are the risk areas?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Audit Services have given an unqualified opinion on the adequacy and effectiveness of the Council's internal control system for a number of years.</p> <p>Individual internal audit reviews are undertaken in-year, and Audit Services report back, where appropriate, on individual areas where controls could be improved. Recommendations will then be made in order to improve any weaknesses found, and key recommendations are later followed up.</p> <p>They also report any key control weaknesses at each meeting of the Audit and Risk Committee.</p> <p>During 2017 the Council's Counter Fraud Team which sits within Audit Services was joined by the Tenancy Fraud Team from Wolverhampton Homes. This has increased the skills base for counter fraud and investigation activities and strengthens the Council's ability to respond to fraud. A joint counter fraud arrangement with a neighbouring authority is also in place.</p> <p>There are not any known areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>

# Fraud risk assessment (continued)

Question	Management response
<p>How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour?</p> <p>How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud?</p>	<p>The Council has the following policies and procedures to help raise the awareness of, and combat fraud:</p> <ul style="list-style-type: none"> <li>• Anti-Fraud and Corruption Policy and Procedure</li> <li>• Whistleblowing Policy and Procedure</li> <li>• Anti-Money Laundering Policy and Procedure</li> <li>• Raising Fraud Awareness Guide</li> </ul> <p>These documents are reviewed annually by the Audit and Risk Committee, and available on the internet. The internet page on fraud has been improved to help strengthen the ease in which potential fraud can be reported on-line</p> <p>Employees learn about business practices and ethical behaviour through the following:</p> <ul style="list-style-type: none"> <li>• Codes of Conduct</li> <li>• induction training</li> <li>• accountability arrangements signed by all senior officers</li> <li>• contracts – standard exclusions</li> <li>• adherence to procurement procedures</li> <li>• aide memoires from Monitoring Officer around gifts &amp; hospitality policy at key times of the year.</li> </ul> <p>There are a number of fraud related policies and procedures that encourage this, and include full contact details – including a confidential hotline. The Council’s internet site allows on-line reporting.</p>

# Fraud risk assessment (continued)

Question	Management response
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p>	<p>Senior Officers and Members who have powers to influence decisions are potentially the highest risk posts in respect of fraud and corruption.</p>
<p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Senior Officers and Members are required to declare interests on a register of interests and at meetings.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No instances of related party relationships or transactions are known to be fraudulent.</p> <p>Conditions of contact with third parties are in place to mitigate fraud risk, this includes refraining from providing corrupt gifts and payments. The Council's auditors have right of access to third party records if fraud is suspected.</p>
<p>What arrangements are in place to report fraud issues to Audit and Risk Committee?</p> <p>How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>A Counter Fraud Update report is presented to each meeting of the Audit and Risk Committee detailing how the Council is tackling issues around fraud and includes details of any recent investigations into suspected fraudulent activity.</p> <p>The committee also reviews and approves all of the Council's Anti-Fraud Policies and Procedures on an annual basis. This includes a detailed Counter Fraud Plan charting out the actions to be taken going forward, and the Council's Fraud Risk Register.</p> <p>As part of the Annual Internal Audit Plan, Audit Services undertake annual reviews of many of the Council's key financial systems – consideration of fraud forms part of these.</p> <p>The Council also fully participates in the Cabinet Office's National Fraud Initiative, and other national fraud benchmarking exercises, as appropriate.</p>

# Fraud risk assessment (continued)

Question	Management response
Are you aware of any whistle-blower reports under the Bribery Act since 01 April 2017? If so how does the Audit and Risk Committee respond to these?	As of today no fraud was reported to us under the Bribery Act since 01 April 2017.

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# Laws and regulations

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## Matters in relation to laws and regulations

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

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

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

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

# Impact of laws and regulations

Question	Management response
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>A number of controls are in place. Management place reliance on these controls. In addition, there is an annual programme of work from Audit Services which in part covers legal matters. Directors also meet daily at 09.00 to discuss issues of topical concern including any legal matters. SEB also meets weekly for wider briefings across the business.</p>
<p>How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The findings and recommendations from the work of Audit Services, with key issues being reported back to the Audit and Risk Committee. Also, each Director is required to sign an annual assurance statement, and this helps inform the Annual Governance Statement that is reported to the Audit and Risk Committee.</p>
<p>Have there been any instances of non-compliance with law and regulation since 01 April 2017 with on-going impact on the 2017/18 financial statements?</p>	<p>None as at today (13/02/2018).</p>

# Impact of laws and regulations (continued)

Question	Management response
Is there any actual or potential litigation or claims that would affect the 2017/18 financial statements?	None that we are aware of.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	All litigation is commenced / defended / settled in consultation with the Monitoring Officer. All prospective prosecutions are evaluated against nationally adopted criteria. An annual appraisal of contingent liabilities is prepared and reported by the Monitoring Officer in consultation with the Risk Manager.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None as at today (13/02/2018).

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# Going Concern

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## Matters in relation to going concern

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

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

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

# Going concern considerations

Question	Management response
Has a report been received from management forming a view on going concern?	Indirectly through the statement of accounts and regular updates on the Medium Term Financial Strategy.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council Business Plan and the financial information provided to the Council Authority throughout the year?	During the financial year, Strategic Finance support Budget Managers to conduct regular budget monitoring and to forecast each service's outturn for the year. Throughout this process financial assumptions about the current year and future years are discussed and scrutinised by Budget Managers and Strategic Finance, with quarterly forecast outturn updates provided to the Council's Cabinet (Resources) panel. The Council's Medium Term Financial Strategy is an extension of this budget monitoring and forecasting process; any developments or pressures arising as a result of discussions with Budget Managers during the regular budget monitoring process will be incorporated into the Council's Medium Term Financial Strategy.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, these are fully reflected in the MTFS as budget pressures.
Have there been any significant issues raised with the Audit and Risk Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	None as of today (02/02/2018).

# Going concern considerations (continued)

Question	Management response
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?</p>	<p>No adverse financial indicators are currently being reported.</p>
<p>Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>Despite the significant challenges being faced by the Council we believe that this is currently the case. In addition resources and structures remain under constant review so in the event that any issues are identified these would be addressed quickly.</p>
<p>Does the Council have procedures in place to assess the Council ability to continue as a going concern?</p>	<p>The MTFs in the main provides this assurance, insofar as it demonstrates that the Council is able to deliver services and statutory responsibilities within the projected available resources. Account is, however, also taken of the potential and contingent liabilities that are reported in the statement of accounts, in order to ensure that assets remain sufficient to meet liabilities.</p>
<p>Is management aware of the existence of events or conditions that may cast doubt on the Council ability to continue as a going concern?</p>	<p>None as of today (02/02/2018).</p>
<p>Are arrangements in place to report the going concern assessment to the Audit and Risk Committee?</p>	<p>Indirectly through the statement of accounts.</p>

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# Related Parties

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## Matters in relation to Related Parties

Local Government bodies are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);

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associates;

joint ventures;

an entity that has an interest in the Council that gives it significant influence over the Council;

- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

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

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

# Related Parties considerations

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

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# Accounting estimates

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## Matters in relation to accounting estimates

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

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

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

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

We would ask the Council to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting estimates considerations

Question	Management response
Are management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	None as of today (02/02/2018).
Are the management arrangements for the accounting estimates, as detailed in Appendix A, reasonable?	<p>Accounting estimates are kept under review throughout the year by Corporate Finance, but formally reviewed August/September each year by the Director of Finance in preparation for the following year's preparation of financial statements. The outcome of this formal review is reflected in this document (Appendix A), which is presented to the Audit and Risk Committee in March each year.</p> <p>This Committee provides the opportunity for challenge and any queries.</p>
How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate?	Please see above.

# Appendix A – Accounting Estimates

# Appendix A - Accounting estimates

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

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation of property plant and equipment	Based on the useful economic life of the asset.	Useful economic life is assessed when valuations are carried out. In addition a list of assets is sent to service managers annually to obtain an update on dilapidated or damaged assets.	Yes – external valuer	The valuer is appropriately professionally qualified.	No
Impairment of property plant and equipment	Impairments are determined as a result of the valuation process and as a result of information provided by members of Strategic Finance, Risk and Insurance and Corporate Landlord.	Critical review of asset valuations and review of market conditions.	Use of external valuer and internal RICS qualified staff.	Valuations are made in line with RICS guidance and the Code of Practice on Local Authority Accounting.	No

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# Appendix A - Accounting estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provision for irrecoverable debts	Provision is based on the age of the debt and assessment of collectability.	Reasonableness check by finance staff based on past history and experience.	No	Collection rates, historically, have been relatively constant and level of bad debt write-offs in prior years indicate that the provision is adequate.	No.
Provision for liabilities	Provisions are made where an event has taken place which gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made.	Legal liabilities. Insurance. Non Domestic Rates. Equal Pay	No	Charged in the year the Council becomes aware of the obligation.	No
Accumulated absence account	Accrual is based on outstanding leave as at 31 March 2018 derived from payroll records.	Reasonableness check based on overall number of days outstanding and prior year comparison	No	The accrual is based on actual leave records for individual employees.	No

# Appendix A - Accounting estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Liabilities under PFI schemes	The accounting entries are derived from the PFI accounting models which were prepared, based on the operators financial model, at the commencement of the various schemes.	Models are updated annually from information provided by finance and operational staff.	No	Assumption that there has been no significant change to the parameters in the model. If significant changes are identified the model will be amended to reflect the changes.	No

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>12 March 2018</p>
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<b>Report title</b>	Strategic Risk Register and Strategic Assurance Map	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 Peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board	20 February 2018

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### Recommendations for noting:

The Committee is asked to note:

1. The Strategic Risk Register as at Appendix 1.
2. The identification of two new risks:
  - Risk 30 – Civic Halls, due to the issues surrounding the refurbishment of the Civic Halls.
  - Risk 31 – City of Wolverhampton College, as a result of the Council not agreeing a Memorandum of Understanding with the College.
3. The increase in the risk scores for risk 8 – Business Continuity Management and risk 15 – Emergency Planning due to staffing changes within the Resilience Team.
4. The amendment of the risk description and the reduction in the assessment for risk 14 – School Improvement to reflect that; 95% (58 out of 61 maintained schools) are now at good or above. Standards within academies will be covered by a separate risk where appropriate.

5. That the Council have considered the implications of the insolvency of Carillion PLC, it has been decided that no new risks require inclusion in the strategic risk register at this time. However, details of the effect on existing risks are included in appendix 1 where appropriate. The Council will continue to monitor the situation and any new risks or changes to the assessment of current risks will be reported to future Audit and Risk Committee meetings.
6. The main sources of assurance available to the Council against its strategic risks at Appendix 2.

## 1.0 Purpose

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

## 2.0 Background

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The strategic risk register was last presented to the Committee in December 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.
- 2.4 A summary of the strategic risk register is included at Appendix 1 of this report which sets out the status of the risks as at February 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 2 provides a summary of the Council's strategic assurance map which follows the three lines of defence model (shown below). The assurance map details where the Committee can gain assurance against the strategic risks. This too is a live document and is updated alongside the monitoring and reviewing of the strategic risk register.

### The three lines of defence model:

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

## 3.0 Progress, options, discussion

- 3.1 The strategic risk register will be updated as required, and presented at approximately quarterly intervals to the Committee. The Committee also takes the opportunity to 'call in' individual risks for further review from time to time. At the last meeting, the Committee requested risk 9 – City Centre Regeneration to be called in for the March 2018 meeting. Details regarding this risk are included in the risk register at appendix 1 and the Head of

City Development will be attending the meeting to discuss details of the risk with the Committee.

- 3.2 Committee also requested at the last meeting that risk 26 – Community Cohesion be called in for the March 2018 meeting. Whilst, as reported to the last meeting this risk has now been transferred to a Directorate Risk Register, the Prevent and Cohesion Officer will be attending the meeting to discuss the risk with Committee.

#### **4.0 Financial implications**

- 4.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the strategic risk register summary. Financial implications may arise from the implementation of strategies employed to mitigate individual corporate risks, but these will be evaluated and reported separately if required. [GE/13022018/R]

#### **5.0 Legal implications**

- 5.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual strategic risks, there are no direct legal implications arising from this report. [TS/13022018/R]

#### **6.0 Equalities implications**

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

#### **7.0 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 – None**



# Appendix 1 – Strategic Risk Register @ February 2018



**Stronger  
Economy**



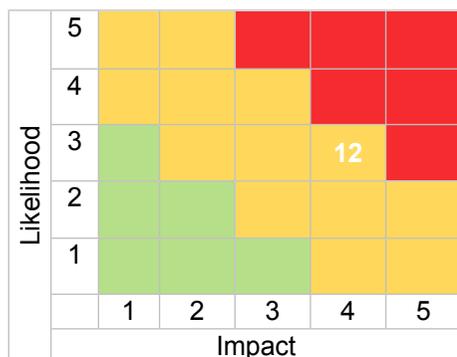
**Stronger  
Communities**



**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 (Dec 2017)	Direction of travel	Current score (Feb 2018)	Target score and date	Comment
3 01/14	<p><b>Information Governance (IG)</b></p> <p>If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018;</li> <li>compliance with the Freedom of Information Act and Environmental Information Regulations;</li> </ul> <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p> <p>Risk owner: Kevin O' Keefe Cabinet Member: Cllr Milkinderpal Jaspal</p>	12 Amber		12 Amber	8 Amber Nov 2018	<p>The score of this risk remains at 12 to reflect the demands of GDPR which is due to come into effect on 25 May 2018. As reported previously, in preparation for the new regulation a work programme has been developed. Progress against the work programme to date is as follows:</p> <ul style="list-style-type: none"> <li>In accordance with the Communication and Training Needs Analysis - department/team training sessions are ongoing, with training for priority 1 departments being completed first. Training delivery is on track.</li> <li>Three Councillor training sessions have been undertaken and an information pack to support Councillors in their role as Data Controllers has been produced and issued to them.</li> <li>A Project Manager from the Council's Programme Office is assigned to the project.</li> <li>The IG Team have attended the new and existing Headteacher forums and have delivered awareness training on GDPR at these sessions. In addition, regular updates on the regulation are being communicated through the weekly schools bulletin. Schools are also being offered training through the Information Governance and GDPR specific SLA offering.</li> <li>Various City People articles regarding the new regulation have been published, alongside a GDPR briefing document that staff can download for further information. Further communications in City People and the Council's Core Brief have been scheduled during key points during 2018.</li> <li>GDPR update reports have been presented to Strategic Executive Board, Scrutiny Board and Cabinet Performance Panel.</li> <li>The GDPR e-learning module provided by the Learning Hub has been reviewed and is being re-configured to ensure that it meets the Council's needs. It is envisaged that this will provide further support to staff.</li> <li>Performance in response to both Freedom of Information and Subject Access requests continues to be high. However, it is</li> </ul>



Risk ref	Risk title and description	Previous score (Dec 2017)	Direction of travel	Current score (Feb 2018)	Target score and date	Comment																																											
						<p>anticipated that the number of Subject Access Requests received from May 2018 may rise with the introduction of GDPR, as the £10 fee is being removed.</p> <ul style="list-style-type: none"> <li>An information governance risk register has been established and will be reported to and monitored by the Information Governance Board.</li> </ul>																																											
4 01/14	<p><b>Medium Term Financial Strategy</b></p> <p>If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy 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	8* Amber On-going	<p>The Draft Budget and Medium Term Financial Strategy 2018-19 to 2019-20 was presented to Cabinet on 20 February 2018. The report detailed the following matters:</p> <ul style="list-style-type: none"> <li>That the budget for 2018-2019 is in balance without the use of general reserves</li> <li>That a further £19.5 million needs to be identified over the period to 2019-2020 in order to address the projected budget deficit.</li> <li>That the projected budget deficit assumes the achievement of budget reduction and financial transaction proposals amounting to £28.3 million over the two-year period 2018-2019 and 2019-2020.</li> <li>That work will start immediately to identify additional budget reductions to address the projected budget deficit and that a report will be presented to Cabinet in July 2018 to include a high-level strategy.</li> </ul>
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8 01/14	<p><b>Business Continuity Management (BCM)</b></p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p> <p>Risk owner: Mark Taylor (John Denley) Cabinet Member: Cllr Paul Sweet</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>4</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>12</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td>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	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	12	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	Yellow		1	2	3	4	5		Impact					8 Amber		12 Amber	8 Amber March 2019	The risk score has increased because the Resilience Manager and one of the two current Resilience Officers are leaving their posts at the end of March. The Council are in the process of recruiting a Senior Resilience Officer and are currently reviewing options with regards to how the service will be provided in future.
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9 01/14	<p><b>City Centre Regeneration</b></p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> <li>the attraction of private sector investment</li> <li>the creation of space to accommodate new businesses and economic growth</li> <li>the enhancement and creation of visitor attractions</li> <li>the creation of well paid employment</li> <li>retention of skilled workers</li> <li>the creation of residential opportunities</li> <li>a functioning city centre offer that serves the residents of the City</li> <li>a reduced demand on Council services</li> </ul> <p>Risk owner: 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"> <li>On Interchange, Ion has now entered into the station build contract with Galliford Try, construction work commenced during December 2017. The negotiation around the contract had 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.</li> <li>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, a business case for which was recently approved by Cabinet.</li> <li>Benson Elliot has largely completed the refurbishment works to the Mander Centre with Debenhams, the anchor store now open. Continued support is being offered to Benson Elliot in attracting new occupiers.</li> <li>Outline planning permission has been secured 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 meet this programme.</li> <li>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 in late 2018. These works will seek funding from the Local Enterprise Partnership off the back of outputs secured through the associated major developments.</li> <li>A collaboration agreement was signed with Canal &amp; River Trust as a major landowner in the Canalside South area to partner on bringing forward key sites for residential led development.</li> </ul>
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						<ul style="list-style-type: none"> <li>• A joint study (with funding support from the Homes and Communities Agency) 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.</li> <li>• A design for City Learning Quarter is ongoing to meet the needs of user groups. Enabling works around land acquisition is continuing. The delivery programme is challenging and options around a phased decant for the college are being appraised.</li> <li>• Engagement with developers and investors continues across a range of sites. Feedback is very positive from investors who are becoming increasingly convinced that there is a developing momentum around the city centre.</li> </ul>

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15 01/14	<p><b>Emergency Planning</b></p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage. Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p> <p>Risk owner: Mark Taylor (John Denley) Cabinet Member: Cllr Roger Lawrence and Cllr Paul Sweet</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </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					8 Amber		12 Amber	8 Amber March 2019	The risk score has increased because the Resilience Manager and one of the two current Resilience Officers are leaving their posts at the end of March. The Council are in the process of recruiting a Senior Resilience Officer and are currently reviewing options with regards to how the service will be provided in future.
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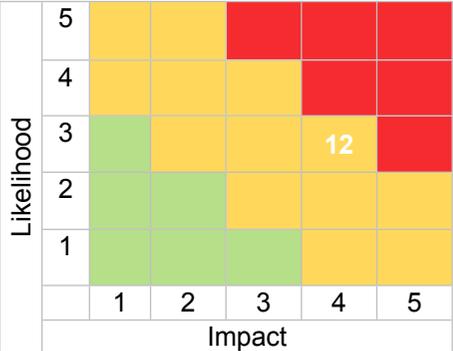
Risk ref	Risk title and description	Previous score (Dec 2017)	Direction of travel	Current score (Feb 2018)	Target score and date	Comment																																											
22 01/17	<p><b>Skills for Work and Economic Inclusion</b></p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for council services.</p> <p>Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	5 Amber March 2018	<p>Work is ongoing to support City residents and businesses effected by the insolvency of Carillion PLC. The Council has set up a multi-agency Carillion taskforce whose members include the West Midlands Combined Authority, Black Country Local Enterprise Partnership (LEP), Black Country Chamber of Commerce, Department for Work and Pensions and the Department for Business, Energy and Industrial Strategy.</p> <ul style="list-style-type: none"> <li>A helpline to support affected business went live on 16 January 2017. To date the majority of businesses who have contacted the helpline are manufacturers and construction firms awaiting payment.</li> <li>Working in partnership with local training providers the Council have developed an online 'Response to Redundancy' support package. This includes an offer of one-to-one coaching and advice, access to vacancies, assistance with CV writing, interview preparation and support with online job applications.</li> <li>13 Wolverhampton apprentices have been identified as affected, ten working in construction and three within Business Administration. The Construction Industry Training Board are working with and supporting the construction apprentices (approx. 1,400 in total including the ten from Wolverhampton), Black Country Training Group and the City of Wolverhampton College are providing Support to the Business Administration apprentices.</li> <li>Work is continuing to assess the full impact on supply chain businesses and the final number of Wolverhampton residents at risk of redundancy.</li> </ul> <p>Work in other areas is ongoing;</p> <ul style="list-style-type: none"> <li>At the time of reporting there had been over 92,000 unique visits to the Wolverhampton Work Box site and over 2,200 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. Workbox will also partner with Kareerhub to enhance Labour Market information and careers advice for school students.</li> </ul>
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						<ul style="list-style-type: none"> <li>• 280 employers have now agreed to be part of the Wolves @ Work programme which has successfully supported 1,948 people into work.</li> <li>• 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. 1500 young people have now engaged with the project which is currently performing ahead of profile. 600 of these have achieved positive outcomes in employment or education and training.</li> </ul>

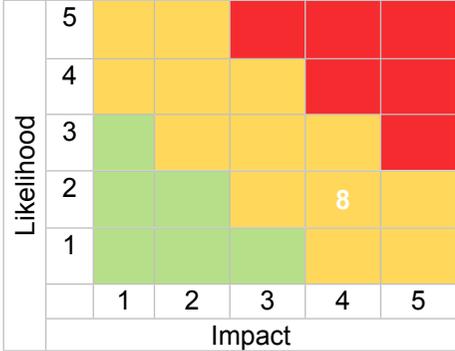
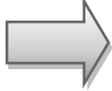
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23 01/17	<p><b>Cyber Security</b></p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p> <p>Risk owner: Andy Hoare Cabinet Member: Cllr Milkinderpal Jaspal</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td colspan="7">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5	Impact							10 Amber		10 Amber	10 Amber Ongoing – Dependent on cyber world-wide cyber incidents	<p>The level of this risk remains at ten as there are no imminent threats to Local Government at present.</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"> <li>The Council's routine patching schedule has continued to ensure protection against the newly discovered threats and vulnerabilities whilst a special update was performed for the processor bug within Intel chipsets. Microsoft patches were uploaded and installed onto Council systems as soon as possible following their release in January.</li> <li>The move to the cloud helped to ensure minimal disruption following the recent flood in ICTS.</li> <li>Preparation for the next PCN Certification has begun, the certification is due in June. Prior to this internal and external health checks will be undertaken to identify any vulnerabilities which will then be addressed prior to the renewal of the certification.</li> <li>An independent body, NCC have been commissioned to undertake a health-check review which will take place in February. ICTS are not informed when the review will take place to ensure a true assessment is completed.</li> </ul> <p>Information Security and Cyber-Security policies identify the good practices that need to be adopted by the Council. These, along with other HR policies, are regularly reviewed and updated to ensure they are keeping pace and addressing potential threat opportunities. Employee awareness of potential threats and good working practices, through mandatory and associated training continue to enhance the understanding of cyber security and good working practices, helping to minimise the opportunities.</p>
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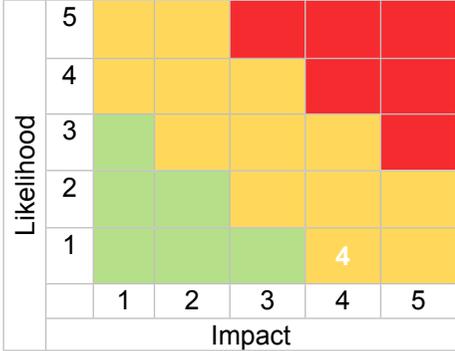
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29 12/17	<p><b>Fire Safety – Public Buildings</b></p> <p>If the Council does not have in place appropriate systems to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within public buildings (including schools) there is a risk of injury to members of the public and exposure to regulatory action, financial penalties and reputation damage to the Council.</p> <p>Risk owner: Tim Johnson (Tim Pritchard) Cabinet Member: Cllr Peter Bilson</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5						4						3						2					10	1							1	2	3	4	5		Impact					10 Amber		10 Amber	5 Amber March 2019	<p>The Council is the Responsible Person for public buildings. The named Responsible Person is Corporate Landlord's Head of Assets.</p> <ul style="list-style-type: none"> <li>98% of public buildings currently have a fire risk assessment (FRA). Existing FRA's have been reviewed and new FRA's commissioned where required. 78% of corporate buildings and 32% of community schools have a suitable and updated FRA.</li> <li>Subject to the agreement of additional funding, plans are in place to ensure that 100% of corporate buildings and community schools will have a suitable, updated FRA by the end of 2018.</li> <li>FRA's identify actions required to improve fire safety, which are the responsibility of Corporate Landlord or the Site Duty-holder. However, Corporate Landlord retain oversight of ALL actions in order to ensure implementation.</li> <li>Corporate Landlord undertakes actions to both buildings and systems, for example maintaining and upgrading fire protection systems such as alarms and sprinklers. Sufficient resource(s) are required in terms of specialist staff to arrange works and funding to undertake the works. Whilst additional staff have been provided, there is currently a funding shortfall, details of which will be presented in a briefing note, to Strategic Executive Board prior to the end of the financial year.</li> <li>It is also being recommended, in a separate briefing note that a Site Duty-Holder role be established to manage regular testing of equipment, training of staff, evacuation arrangements and provision of fire marshals. Corporate Landlord will support Site Duty-Holders in fulfilling their responsibilities, for example by arranging training for 500 fire marshalls, in conjunction with Workforce Development. Corporate Landlord will develop online fire log books during 2018, and will undertake site audits to ensure that Site Duty-Holders are undertaking required actions.</li> <li>Corporate Landlord will also implement liaison arrangements for buildings in multiple occupation, such as I10 and I11.</li> </ul>
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30 01/18	<p><b>Civic Halls</b></p> <p>There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.</p> <p>Risk owner: Tim Johnson (Keren Jones) Cabinet Member: Cllr John Reynolds</p>	N/A	N/A	16 <b>Red</b>	12 <b>Amber</b> Dec 2018	<p>As previously reported plans for the £14.4 million redevelopment of the 80-year-old, Grade II-listed Civic Halls had begun but work was held up when contractors uncovered major issues.</p> <p>On 31<sup>st</sup> January 2018, the Council approved a further £23.7 million for a new scheme for the Civic Halls on the basis of a revised business case to address significant building fabric, structural and management issues following detailed technical surveys and reviews that were undertaken in 2017. Additional works include a substantial number of items not included in the original scheme such as a new electrical and engineering system, major structural work, including a new roof and the latest safety and security measures.</p> <p>A new governance and project management structure is being put in place, commensurate with the scale and complexity of this much larger scheme, including the appointment of a more experienced Project Manager. The new project includes a range of work-streams alongside the main design and construction works. Brief details of which are provided below;</p> <ul style="list-style-type: none"> <li>• Business continuity – including the identification of alternative venues for key entertainment events in 2018 and 2019.</li> <li>• Business development – which includes the development of the new entertainment and conferencing offer to be introduced once the venue is reopened.</li> <li>• Economic – ensuring economic objectives such as provision of skills and training and providing support to local business.</li> <li>• Financial – ensuring appropriate financial controls are in place and where appropriate external funding is utilised effectively.</li> </ul> <p>A full risk assessment work shop to fully review and mitigate against all risks across these work streams was undertaken on 7 February 2018.</p> <p>As a result of the issues at Civic Halls the Managing Director has requested Audit Services to undertake a lessons learnt review in order to prevent similar issues with future projects.</p>

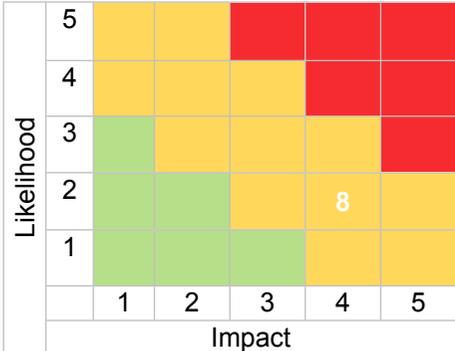
Risk ref	Risk title and description	Previous score (Dec 2017)	Direction of travel	Current score (Feb 2018)	Target score and date	Comment																																																	
31 02/18	<p><b>City of Wolverhampton College</b>            There is a risk that the City of Wolverhampton College is not financially viable without a partner. The preferred partner is the City of Wolverhampton Council. Without the Council's support, there is a risk of a merger. At this point we are unable to agree the words of a Memorandum of Understanding which satisfies the business requirements of the Council. The risk of not finding a solution could be the loss of the College to influences external to the City.</p> <p>Risk owner: Keith Ireland            Cabinet Member: Cllr Claire Darke and Cllr John Reynolds</p>  <table border="1" data-bbox="219 794 672 1145"> <tr> <td></td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3</td> <td></td> <td></td> <td>12</td> <td></td> <td></td> </tr> <tr> <td></td> <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Likelihood</td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>		5							4							3			12				2							1						Likelihood		1	2	3	4	5			Impact					N/A	N/A	12 Amber	4 Amber Sept 2018	The Managing Director, Director of Finance and the Director of Governance are working with the Transaction Unit, Education and Skills Funding Agency and the College to find an acceptable way forward.
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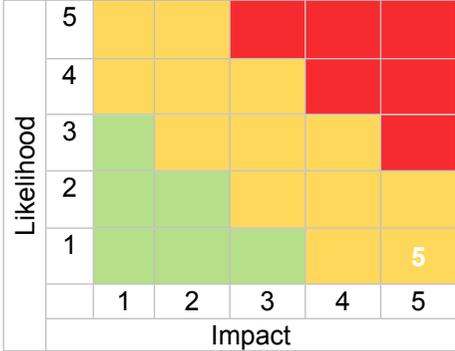
- The following are the medium and low (assessed at less than 10) strategic risks that the Council faces in delivering its corporate priorities.

Risk ref	Risk title and description	Previous score (Dec 2017)	Direction of travel	Current score (Feb 2018)	Target score and date
7 01/14	<p><b>Safeguarding</b></p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p> <p>Risk owner: Emma Bennett Cabinet Member: Cllr Val Gibson and Cllr Sandra Samuels OBE</p> 	8 Amber		8 Amber	5 Amber March 2018

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14 01/14	<p><b>School Improvement</b></p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in maintained schools and school governance, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p> <p>Risk owner: Meredith Teasdale Cabinet Member: Cllr 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>Yellow</td> <td>Yellow</td> </tr> <tr> <td></td> <td>1</td> <td>Green</td> <td>Green</td> <td>Green</td> <td>Yellow (4)</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	Yellow	Yellow		1	Green	Green	Green	Yellow (4)	Yellow	Likelihood		1	2	3	4	5			Impact					8 Amber		4 Amber	4 Amber Target achieved 95% maintained schools @ good or above
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24 01/17	<p><b>Maximising Benefits from West Midlands Combined Authority</b></p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p> <p>Risk owner: Keith Ireland Cabinet Member: Cllr Roger Lawrence</p> <table border="1"> <tr> <td rowspan="6">Likelihood</td> <td>5</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td>6</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td colspan="5">Impact</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	Likelihood	5									4									3									2			6						1										1	2	3	4	5					Impact									6 Amber		6 Amber	3 Green April 2018
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25 03/17	<p><b>Payment Card Industry Data Security Standard</b></p> <p>If the Council does not put in place appropriate systems, procedures and technologies to ensure agent-led telephone payments are compliant with the Payment Card Industry Data Security Standard, there is a risk of data breaches which may result in regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Mark Taylor Cabinet Member: Cllr Andrew Johnson</p> 	8 Amber		8 Amber	4 Amber April 2019

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27 06/17	<p><b>Safety concerns around the City's tower blocks</b></p> <p>Following the recent tragic events at Grenfell Tower in London, there is an urgent need for the Council to ensure that the tower blocks in the City do not face the same risks, and that tenants can be assured on this.</p> <p>Risk Owner: Shaun Aldis Cabinet Member: Cllr Peter Bilson</p>  <table border="1" data-bbox="250 547 705 898"> <tr><td>5</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>4</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>3</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>2</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>1</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td><td>5</td></tr> <tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	5	Yellow	Yellow	Red	Red	Red	4	Yellow	Yellow	Yellow	Red	Red	3	Green	Yellow	Yellow	Yellow	Red	2	Green	Green	Yellow	Yellow	Yellow	1	Green	Green	Green	Yellow	5		1	2	3	4	5		Impact					5 Amber		5 Amber	5 Amber Target achieved
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28 10/17	<p><b>Health and Safety</b></p> <p>Through failure to use safe working methods the Council may be exposed to regulatory action, financial penalties and reputational damage.</p> <p>Risk owner: Claire Nye Cabinet Member: Cllr Milkinderpal Jaspal</p> <table border="1" style="margin-top: 10px;"> <tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td>8</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" style="text-align: center;">Impact</td></tr> </table>	5						4						3						2			8			1							1	2	3	4	5		Impact					8 Amber		8 Amber	4 Amber Sept 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 – February 2018

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
3	<p><b>Information Governance (IG)</b> If the Council does not put in place appropriate policies, procedures and technologies to ensure:</p> <ul style="list-style-type: none"> <li>that the handling and protection of its data is undertaken in a secure manner and consistent with both the provisions of the Data Protection Act 1998 and the General Data Protection Regulation (GDPR) which comes into force during May 2018;</li> <li>compliance with the Freedom of Information Act and Environmental Information Regulations;</li> </ul> <p>then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.</p>	8 Amber	<p>Internal audit review 2016/17 – Freedom of Information Requests (Substantial Assurance)</p> <p>Internal audit review 2016/17 – Information Governance (Satisfactory assurance)</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Performance reports to Cabinet, Scrutiny Board and Strategic Executive Board (SEB).</p> <p>Performance indicators reported to Cabinet- Number of data breaches</p> <p>Performance indicator - % of Freedom of Information (FOI) requests met within timescales</p> <p>Performance indicator- % of Subject Access Requests (SAR) met within timescales</p>	<p>Senior Information Risk Officer Annual Report</p> <p>Controls Assurance Statements</p>	<p>The Council's on-going dialogue with the Information Commissioners Office, regular audits, performance against FOI and SAR requests and information incidence logs will all continue to inform the level of assurance over the effectiveness and adequacy of the controls in place to manage this risk.</p>
	<p><b>Medium Term Financial Strategy</b> 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>	12 Amber	<p>PwC report: Report to those charged with governance (ISA 260) September 2016</p> <p>Assumptions of the MTFS</p> <p>Local Government Association (LGA) Finance Peer review- June 2016</p> <p>Audit and Risk Committee review of risk – December 2016</p> <p>Internal audit review Budgetary Control – 2016/17 (Satisfactory assurance)</p> <p>Performance indicator- number of Looked After Children (LAC) per 10,000 population</p> <p>Financial Decision Making Audit Services Review</p> <p>Birmingham City Council – Wolverhampton Adult Social Care Peer Challenge, March 2016</p> <p>Follow up – Wolverhampton Adult Social Care Peer Challenge, April 2017</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) – Risk sufficiently managed</p> <p>LGA Finance Peer review follow up – September 2017</p>	<p>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><b>Safeguarding</b></p> <p>If the Council's safeguarding procedures and quality assurance processes are not consistently and effectively implemented then it will fail to safeguard children and vulnerable adults and lead to reputational damage.</p>	8 Amber	<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>
92	<p><b>Business Continuity Management</b></p> <p>Failure to develop, exercise and review plans and capabilities that seek to maintain the continuity of critical functions in the event of an emergency that disrupts the delivery of Council services.</p>	12 Amber	<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><b>City Centre Regeneration</b></p> <p>If the city centre regeneration programme is not effectively managed in terms of project timings, costs and scope, then it will be unable to maximise opportunities including:</p> <ul style="list-style-type: none"> <li>• creation of well-paid employment</li> <li>• retention of skilled workers</li> <li>• sector and economic growth</li> <li>• increased prosperity and</li> <li>• reduced demand on council services</li> </ul>	12 Amber	<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><b>School Improvement</b></p> <p>If the Council does not provide effective support, challenge and appropriate intervention to raise standards in schools, then the Council and these schools are at risk of underperforming, receiving inadequate Ofsted judgements and a potential loss of control and influence.</p>	<p>8 Amber</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>
Page 99	<p><b>Emergency Planning</b></p> <p>Failure to develop, exercise and review plans and capabilities for preventing, reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases of a major incident. Failure to train sufficient numbers of staff to undertake the roles in our plans that assist our residents in emergencies and protect the council's reputation from damage.</p> <p>Failure to audit the emergency response plans and capabilities of third party organisations that deliver statutory services on behalf of the council.</p>	<p>12 Amber</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><b>Skills for Work and Economic Inclusion</b></p> <p>If the city residents do not have the appropriate skills that employers require and the Council does not work effectively with its partners to promote and enable growth, high rates of unemployment and economic inclusion will result in increased demand for Council Services.</p>	10 Amber	<p>Reports to the Black Country Local Enterprise Partnership and City Board</p> <p>National performance indicators e.g. % residents unemployed, child deprivation, skills profile, etc.</p> <p>Skills and Employment Board</p> <p>Audit and Risk Committee review of risk – September 2016 and December 2015</p> <p>Wolverhampton Skills Commission Review – November 2014 to April 2015</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>Performance indicator - % of residents with no qualification</p> <p>Performance indicator - number of work experience/ volunteering/ apprenticeships opportunities provided</p> <p>Monthly unemployment briefings</p> <p>Scrutiny Skills and Employment Update – Report to Stronger City Economy Scrutiny Panel – 20 September 2016</p> <p>Skills and Employment Update(s) regularly presented to Stronger City Scrutiny Panel</p>	<p>Reports to the Wolverhampton Skills and Employment Board growth board</p> <p>Inclusion board</p> <p>Controls Assurance Statement</p>	<p>National indicators will demonstrate the effectiveness of the measures in place to manage this long-term risk.</p> <p>In addition, assurances received at a regional level (e.g. through the West Midlands Combined Authority) will also inform the adequacy and effectiveness of the regional initiatives being employed to manage this risk.</p>
23	<p><b>Cyber Security</b></p> <p>Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.</p>	10 Amber	<p>Annual Public Service Network (PSN) certification</p> <p>Independent testing of cyber security technical defences</p> <p>Use of 3<sup>rd</sup> party software to stimulate email phishing attacks</p> <p>Audit and Risk Committee review of risk – July 2017</p> <p>Internal audit review - ICTS Strategic Planning</p>	<p>Information risk register and reports to Information Governance Board</p> <p>Reports to SEB and Cabinet (Performance 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><b>Maximising Benefits form West Midlands Combined Authority</b></p> <p>If the Council does not put in place effective co-ordination arrangements to utilise the opportunities available from being part of West Midlands Combined Authority (WMCA) it will be unable to maximise the benefits and opportunities available to it.</p>	6 Amber	<p>SEP monitoring via WMCA SEP Board and Black Country LEP.</p> <p>WMCA Assurance framework</p> <p>Reports to WMCA Board and various Committees</p> <p>City of Wolverhampton Council providing the internal audit service for WMCA</p> <p>Grant Thornton – Review Significant Risks (2016/17 Audit Findings Report) - Risk sufficiently managed</p>	<p>Regular reports to SEB</p> <p>Representation on WMCA Boards and Committee's including Audit Risk and Assurance Committee and Overview and Scrutiny Committee.</p> <p>Update on the West Midlands Combined Authority – Report to Scrutiny Board 17 January 2017</p>	<p>Appointment of Business Support Officer</p> <p>Controls Assurance Statement</p>	<p>Council representation on key WMCA Boards and Committees will continue to provide assurance.</p>

Risk Ref	Risk Title and Description	Current Score	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
25	<b>Payment Card Industry Data Security Standard</b> 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 <sup>rd</sup> party solution to take and process payment details on behalf of the Council will ensure compliance with the Payment Card Industry standard and transfer the risk of fraud to the 3 <sup>rd</sup> party.
27	<b>Safety concerns around the City's tower blocks</b> 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	<b>Health and Safety</b> 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 <a href="#">Approval of the Health and Safety Plan 2017-19</a>	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	<b>Fire Safety – Public Buildings</b> 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	External inspections by the Fire-Service	Scrutiny review -Fire Safety Monitoring of FRA's by Corporate Landlord	Completion of Fire Risk Assessments Development of online fire logs. Regular Health and Safety audits in accordance with schedule Appointment of Site Duty-Holders.	Work is on-going to ensure that sufficient systems and processes are in place to comply with regulations and public safety.
30	<b>Civic Halls</b> There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.	16 Red	<a href="#">Audit Services Lessons Learnt Review – 2017/18</a>	Ongoing risk assessment / risk register within Verto. Risk workshop.	Establishment of new governance and project management structure.	Regular update reports to Programme Board(s), Cabinet and on-going risk assessments will provide assurance on the management of this risk.

Risk Ref	Risk Title and Description	Current Score	Types of Assurance			Comments / Gaps in Assurance/Risk Exposure
			External/ Independent (Third Line of Defence)	Risk and Compliance (Second Line of Defence)	Operational and Management (First Line of Defence)	
31	<p><b>City of Wolverhampton College</b>            There is a risk that the City of Wolverhampton College is not financially viable without a partner. The preferred partner is the City of Wolverhampton Council. Without the Council's support, there is a risk of a merger. At this point we are unable to agree the words of a Memorandum of Understanding which satisfies the business requirements of the Council. The risk of not finding a solution could be the loss of the College to influences external to the City.</p>	12 Amber	Due to timing constraints, the Assurance Map will be updated prior to the next Committee meeting scheduled for 11 June 2018 once the levels of assurance have been properly assessed.			

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 12 March 2018
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<b>Report title</b>	Internal Audit Update – Quarter Three
<b>Accountable director</b>	Claire Nye, Director of Finance
<b>Accountable employee(s)</b>	Peter Farrow      Head of Audit Tel                      01902 554460 Email <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable

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**Recommendation for noting:**

The Committee is asked to note:

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

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 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 31 December 2017 (quarter three) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

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

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

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendations in this report.  
(GE/27022018/I)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report.  
(TS/23022018/W)

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

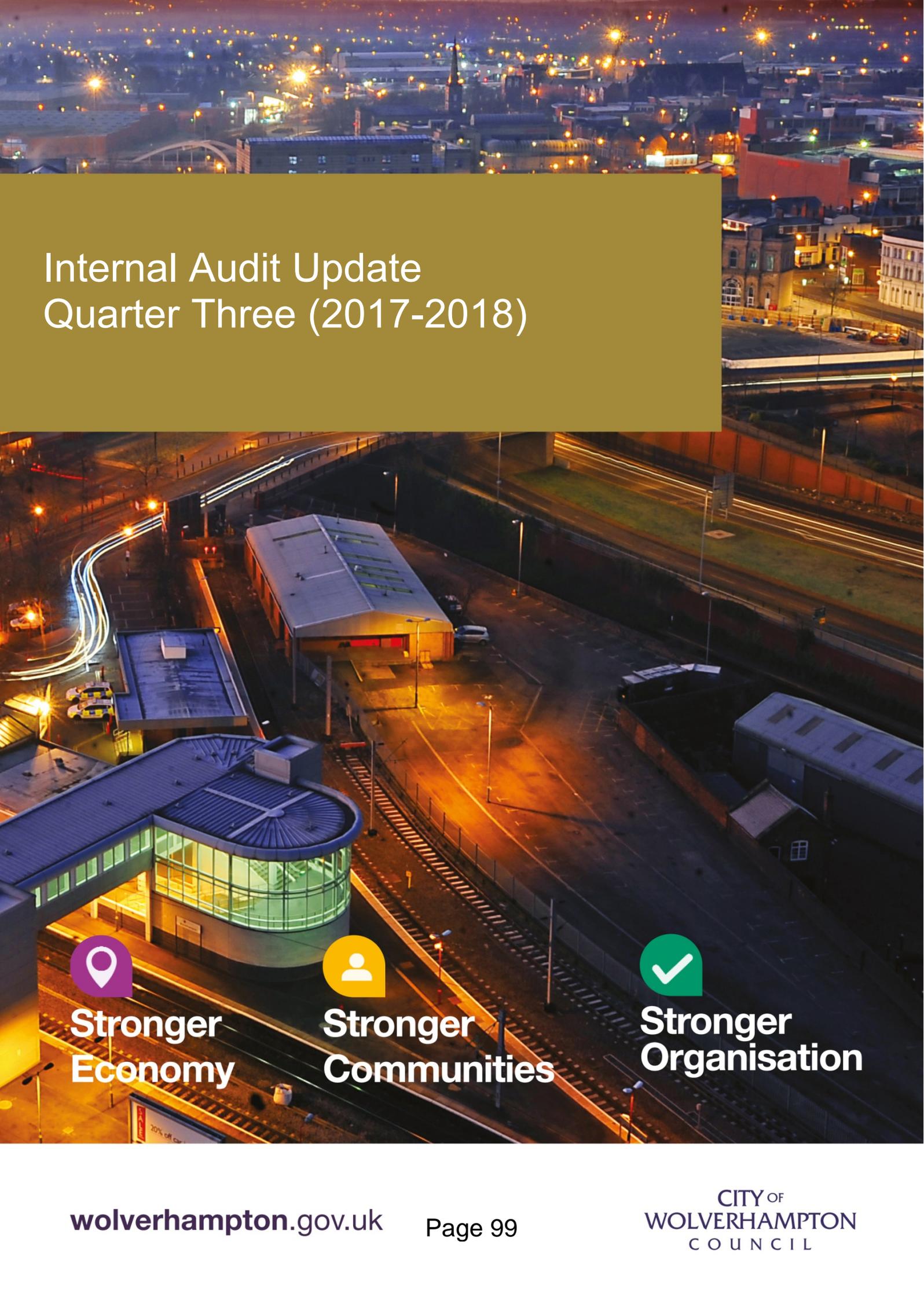
## **8.0 Human resources implications**

- 8.1 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 Three (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

27 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	2017-2018 (@ Q3)	2016-2017	2015-2016
Substantial	9	19	13
Satisfactory	11	10	35
Limited	7	8	14

2 *Summary of audit reviews completed*

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

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
<b>Previously reported:</b>							
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
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
Financial Decision Making Processes	High	-	-	-	-	-	N/A

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
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
<b>Reported this quarter for the first time:</b>							
Merridale Primary School	Medium	-	1	4	5	5	Substantial
Lanesfield Primary School	Medium	-	8	11	19	19	Satisfactory
Wood End Primary School	Medium	-	1	4	5	5	Substantial
Woodthorne Primary School	Medium	6	17	1	24	24	Limited
Additional salary payments for schools	Medium	-	-	-	-	-	N/A
Outdoor Public Events	Medium	4	7	2	13	13	Limited
Civic Centre Payment Kiosks	High	-	-	2	2	2	Substantial
Treasury Management	High	-	-	-	-	-	Substantial
IT&SM Transport Grant 2016	High	-	-	-	-	-	N/A
Troubled Families: Payment by Results – July 2017 Claim	High	-	-	-	-	-	N/A
Troubled Families: Payment by Results - December 2017 Claim	High	-	-	-	-	-	N/A

### 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 31 December 2017 and these will be reported upon in later update reports.

## 5 *Key issues arising from our work completed in Quarter Three*

There were two limited assurance reports issued during quarter three details of which are provided below:

### **Outdoor Public Events**

We reviewed the processes and procedures the Council had in place to maximise the number of outdoor events in the city (to support economic growth) but minimise risk to the Council (in terms of finance, legal, health and safety etc). We found that a number of service areas and third parties have been and are becoming involved in organising and running Council events. While many of these events have been a success and helped raise the profile of the City, the audit highlighted that there was no overall co-ordinated strategy and approach. This had led to a fragmented and informal approach being taken which had ultimately led to a number of significant control issues. Some of these could have serious repercussions, in particular around health and safety, for the Council when set against the backdrop of the increasing need to consider safety measures for large scale public events. Our concerns included:

- There was no criterion which detailed exactly what events needed to be referred to the Safety Advisory Group (SAG) and within what timescales. As a result, a number of events had bypassed the Safety Advisory Group. This group plays a key role in considering and assessing risk assessments and health and safety requirements.
- Inadequate public liability insurance arrangements held by a third-party organiser.
- Officers operating outside of the Council's Financial Procedure Rules, in particular with regards to inconsistencies in the levels of fees and charges being applied and in introducing their own unofficial invoicing processes.
- Similarly, over time some officers had built up a close working relationship with certain suppliers, and had shown a tendency to use them on a regular basis, to the detriment of having a reasonable level of regular competition.
- Overall, there was very much the impression of certain officers working to their own processes without due consideration of corporate requirements.
- The lack of a corporate Event Management Plan for service areas to use in ensuring a consistent approach to event planning. However, we do appreciate that due to the variety and nature of the events the Council is involved in, a one size fits all approach may not always be practical.
- An inconsistent approach to promoting events through the various websites available to the Council.
- Scope for improving the Council's website so as to enable organisers of thirds party events to have ready access to all of the necessary guidance, information and application forms.
- Events organised by third parties were not always subject to regular inspections by Council officers on the day of the events.

## Woodthorne Primary School

An audit of Woodthorne Primary School was undertaken which identified a number of red and amber issues where improvements could be made. To put the review into context the former Headteacher had left the school at the end of the Spring term 2017 and the school were unable to appoint to the position due to a lack of suitable candidates. We were advised that ConnectED arranged for the school to be supported by Perry Hall Multi Academy Trust (MAT). An interim Headteacher, who was a headteacher at another school, was appointed initially to the end of the Autumn term 2017. This was subsequently extended by the governing body and they agreed that the support from the MAT with the interim Headteacher should remain in place for the next academic year 2017-2018. The recruitment of a new headteacher has been deferred until Spring 2018.

In September 2017 the governing body agreed to make an application to join the MAT and has an Academisation Order. When the conversion takes place the financial procedures and processes will come under the remit of the MAT's Strategic Finance and Business Manager. The previous Chair of Governors also resigned at the end of the Spring Term 2017. The current Chair of Governors was approved as a co-opted governor at the governing Body meeting in March 2017. The Council's School Improvement Team have been working with the school and have advised that since the support package has been introduced there has been an improvement in teaching and learning for pupils. Our observations were that

- There was a lack of clarity over the governance arrangements in the school regarding the responsibility for monitoring of the school budget and financial decision making. This was partly due to the support package that was being provided to the school. Employees of the MAT were recorded in the minutes as having responsibility for financial decision making but this is not permissible in practice as they are not school employees. In addition, the interim Headteacher was authorising invoices for payments to the school that employs them. The scheme of delegation requires revision to ensure that the school is compliant with financial rules and that conflicts of interest are avoided.
- The Chair of Governors was a Director of the the MAT and an employee of S4S. The governing body minutes did not indicate that the Chair left the meeting and did not take part in discussions/decisions relating to the purchase of support services from the MAT or S4S.
- At the time of the audit we asked for, but were not provided with, details of the support package that had been brokered by ConnectEd with the MAT. A letter of agreement confirming the support arrangements was subsequently provided at a meeting with the Executive Headteacher of the MAT in February 2018. We noted that the cost of this support exceeded the headteacher's delegated limit and had not been approved by governors and recorded in the governing body minutes.
- The Single Central Record was not up-to-date.
- The school did not have an up-to-date inventory of its assets.
- The reconciliation process for agreeing that the school's financial management records match those of the Local Authority was not being undertaken.
- Payroll reports were not being reviewed by the Headteacher.
- Additional payments were being made to employees at a different rate to their contract of employment without any explanation.
- Quotes were not being obtained for expenditure that exceeded £5,001 (in accordance with School Financial Rules) and details were not being presented to Governors for approval.

- The systems in place for the collection and accounting of income were inadequate and did not provide sufficient audit trails to verify that all income received had been duly accounted for.

### **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:

- Agresso Access Controls
- Section 17 Payments
- ConnectED (see below)

### **ConnectED**

We followed up the recommendations made in our June 2017 report on ConnectED. The review at that time was focussed on how well the Council was fulfilling its role as supervising officer for the ConnectED school company, and testing was limited to a review of the information provided by ConnectED to the Council in its capacity as Supervisory Authority, much of which was not held by the Council at the time.

The original report made a number of recommendations, the most significant issues have now been revisited and we noted that the ConnectED board had agreed to provide information where available, including any amendments to its constitution within 28 days of the change taking place and annual company accounts within 28 days of the financial statements being provided by its auditors. However, a number of the issues had yet to be fully resolved and therefore remained outstanding. Our follow up report identified what actions needed to be taken in order to resolve these and it is understood that the introduction of the supervisory meetings between the Council and ConnectED will be key to this process.

CITY OF  
WOLVERHAMPTON  
COUNCIL

# Audit and Risk Committee

12 March 2018

<b>Report title</b>	Internal Audit Plan 2018-2019	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow	Head of Audit
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<b>Report to be/has been considered by</b>	Strategic Executive Board	20 February 2018

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## Recommendation for decision:

The Committee is recommended to:

1. Review and approve the risk based internal audit plan for 2018-2019.

## **1.0 Purpose**

- 1.1 The purpose of internal audit is to provide the Council with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives.
- 1.2 The purpose of this document is to provide the Council with a risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

## **2.0 Background**

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

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

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

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendations in this report. The audit plan detailed will be implemented using current budgeted internal audit resources. (GE/27022018/S)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/23022018/R )

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

**8.0 Human resources implications**

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

**9.0 Corporate landlord implications**

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

**10.0 Schedule of background papers**

None

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# Draft Internal Audit Plan 2018-2019



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## A quick guide to the audit and assurance planning process

### Step 1- Audit universe/auditable areas

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

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



### Step 2 – Ranking

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



### Step 3 – Three year cycle

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



### Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2019-2020 in the internal audit plan.

## A glossary of terms

### Definition of internal auditing

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

### Governance

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

### Control environment

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

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

### System of internal control

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

### Risk Management

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

### Risk based audit and assurance reviews

A review that:

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

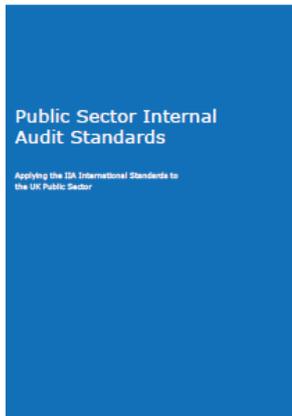
### Audit and Risk Committee

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

## Assurance

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

## Internal Audit standards



The internal audit team have adopted and comply with the standards as laid out in the Public Sector Internal Audit Standards.

## Introduction

- The purpose of internal audit is to provide the Managing Director, Section 151 Officer and Audit and Risk Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Council.
- We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Council has an Internal Audit Charter which is reviewed and approved annually by the Audit and Risk Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter, and helps determine how the internal audit service will be developed.
- The purpose of this document is to provide the Council with an internal audit plan, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

## Assessing the effectiveness of risk management and governance

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

## Assessing the effectiveness of the system of control

- In order to be adequate and effective, management should:
  - Establish and monitor the achievement of the Council's objectives and facilitate policy and decision making.
  - Identify, assess and manage the risks to achieving the Council's objectives.
  - Ensure the economical, effective and efficient use of resources.
  - Ensure compliance with established policies, procedures, laws and regulations.
  - Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
  - Ensure the integrity and reliability of information, accounts and data.
- These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk assessment elements, at a high level. The programme of work developed as the outcome of the assessment of assurance need exercise will cover the system level control activities.
- The plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

## Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- We have undertaken our assessment using the following process:
  - We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives
  - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
  - We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.

- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2018/19 financial year and is detailed at the end of this document.

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

- The following are the Council's key priorities:
  - Stronger Organisation
  - Stronger Communities
  - Stronger Economy
- Supported by:
  - A Confident, Capable Council
- The Council has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:
  - Information Governance
  - Medium Term Financial Strategy
  - City Centre Regeneration
  - Skills for Work and Economic Inclusion
  - Cyber Security
  - Fire Safety – Public Buildings
  - Safeguarding
  - Business Continuity Management
  - School Improvement
  - Emergency Planning
  - Maximising Benefits from the CA
  - Payment Card Data Security Standard
  - Safety Concerns around the City's Tower Blocks
  - Health and Safety
  - Civic Halls

### Identifying the “audit universe”

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

### Assessing the risk of auditable areas within the assurance framework

- Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”

*Source: Economist Intelligence Unit - Executive Briefing.*

- There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:
  - Materiality
  - Business impact
  - Audit experience
  - Risk
  - Potential for fraud
- In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

## Developing an internal audit plan

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

- Included within the plan, in addition to audit days for field assignments are:
  - a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
  - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
  - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

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

- Are the objectives and key risks identified consistent with those recognised by the Council?
- Does the plan include all the themes which would be expected to be subject to internal audit?
- Are the risk scores applied to the plan reasonable and reflect the Council?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
- Does the plan cover the key risks as they are recognised?

## How the internal audit service will be delivered

**Our Core Behaviours**

- P** Put customers first - *be customer focused*  
We deliver for our customers, satisfying their needs and empowering employees to do the right thing.
- R** Raise the profile of the city - *be positive*  
We are confident advocates for the city and the council. We are positive about what we do and work actively with our partners to build confidence.
- I** Inspire trust and confidence - *be open*  
We value each other's contribution, empathise with colleagues, are self-aware and remain open in difficult situations. We are flexible and open-minded in our approach. We listen and respond to new ideas.
- D** Demonstrate a can-do and tenacious attitude - *be a change agent*  
We take the initiative, take ownership of problems and see them through, challenging where appropriate and acknowledge uncertainties. Importantly, we will be evidence-led in our decision-making.
- E** Encourage teamwork - *be a team player*  
We work as one council, sharing ideas, each other's priorities and problems. We work together to develop shared, sustainable solutions to complex problems.

### Staffing

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

### Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by relevant professional standards. These arrangements are set out in the division's standards manual and require that all working papers and reports are subject to thorough review by professionally qualified accountancy staff.

**Resources required**

It is estimated that approximately 1,450 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

## Audit Service's External Clients

 <p><b>WEST MIDLANDS</b> COMBINED AUTHORITY</p>	<p>The City of Wolverhampton Council's Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.</p>
 <p>West Midlands Pension Fund</p>	
 <p>Wolverhampton Homes</p>	

## The internal audit plan 2018/19

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

Auditable Area	Purpose
Assurance mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will play a key part in informing the Annual Governance Statement.
National fraud initiative	In accordance with Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
Fraud investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter fraud activities	A series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including where appropriate maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries and e-learning.
Value for money reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money advice and or/reviews.
Payment transparency	An ongoing review of compliance with the government's data transparency publishing requirements.
Recommendation follow up	A regular and ongoing follow up of key internal audit recommendations made across the Council in 2017-2018. Any outstanding recommendations will be reported on a regular basis to both SEB and the Audit and Risk Committee.
Development and advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2018-2019.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings.
Audit and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee, and providing advice and training to committee members as and when required.

Auditable area	Purpose	Rating
Key Financial Systems	A review of the high-level financial system controls and other key processes as agreed with the Council's External Auditors, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Capital Expenditure, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.	High
Equal Pay Liabilities	A review of the Council's on-going equal pay liabilities.	Medium
Digital Transformation Programme	To provide ongoing assurance over the lifecycle of the programme.	Medium
Council's Complaints and Compliments Procedure	A review of the systems and processes for the logging and resolution of complaints within agreed performance targets. The review will also focus on how compliments are disseminated to the respective service areas.	Medium
Compliance with GDPR Requirements	A healthcheck review in order to ensure the Council has the appropriate policies, procedures and protocols in place to ensure it is compliant with GDPR requirements on its implementation in May 2018.	Medium
Payment Card Industry Data Security Standard	A high-level review of the IT Security arrangements in place to ensure compliance with the PCI data security standards.	Medium
WV Active Transformation Programme	To provide ongoing assurance over the lifecycle of the programme.	Medium
Markets – Rents Strategy and Collection Arrangements	A review of the commerciality of markets rents and a review of the collection/banking arrangements.	Medium
Procurement of Mobile Phones	Corporate Procurement have requested a specific review around the procurement of mobile phones contracts.	Medium

Auditable area	Purpose	Rating
<b>Children and Young People</b>		
Family Drugs and Alcohol Court	To review the establishment and grant payment arrangements / certification for the new initiative.	Statutory
Recruitment and Retention of Social Workers	A review of the processes and workforce controls over recruitment and retention.	High
GDPR – Operational Arrangements	To ensure that the new regulations have been established and embedded into working procedures.	Medium
Troubled Families	Quarterly grant certification and an ongoing verification of claims.	Statutory
<b>Commissioning</b>		
Foster Care – Framework Agreement	To provide assurance that the looked after children's framework contract organised via Birmingham City Council is robust in advance of any contract renewal.	High
Short Breaks Contracts	A review of the contact monitoring arrangements for providers of short breaks.	Medium
<b>Adults</b>		
Direct Payments	A review of the financial assessment procedures.	High
Transformation Programme (Supporting Life Choices)	A review of the project management arrangements / outputs from the transformation programme.	Medium
Deprivation of Liberties	A review of the procedures for the administration and renewal of the Deprivation of Liberties.	Medium
3 Conversations Policy	A review of the policies and controls within this new initiative	Medium

**Public Health**

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Resilience Team	A review of the assurance provision/monitoring and reporting arrangements - with regards to the proposed transfer of the function to the Fire Authority.	High
Impact Assessments	An independent review and analysis of the impact of removing funding from certain programmes.	Medium

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Auditable area	Purpose	Rating
Key Capital Projects Update (Civic Halls, Wolverhampton Interchange and Markets Relocation)	Following completion of the 2017-2018 review into these projects, work will be undertaken in order to assess the adequacy of the implementation of any recommendations made.	High
<b>City Economy</b>		
City Development Project Pipeline	A review of the strategic, governance, management, risk management, resource planning (human resources, capital and revenue funding) and control systems in operation for the City Development Project Pipeline.	High
A review of a sample of projects, being Westside, I54 (J2) Western Extension and East Park Gateway	A review of project governance, management, risk management and control systems in operation including partnership and external funding arrangements as applicable.	High
<b>City Environment</b>		
Waste Services and Future Contract Arrangements	A review of the programme / project management and governance arrangements in respect of the Waste Programme, including the Waste Services and Future Contract Arrangements Project	High
Transport Capital Programme Prioritisation	A high-level review of the strategic and operational approach to transport capital programme prioritisation.	High
Civil Parking Enforcement	A review of contract management arrangements in operation in respect of the Civil Parking Enforcement contract (APCOA).	Medium
Strategic Transport Transfer	A review of the strategic, contractual and operational implications of the Strategic Transport Transfer, including Council governance and management arrangements post transfer.	Medium

Transport Grant Certifications	An annual assurance review and certification in accordance with the respective grant letters.	Medium
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### Corporate Landlord

Fire Safety – Council and Public Buildings	A review to seek assurance that appropriate systems for governance, management and monitoring of compliance are developed and established to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 within Council and public buildings as well as implement of the action plan to be developed post Scrutiny review.	High
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Corporate Landlord Delivery Model	A review of strategic and operational arrangements for the implementation of recommendations identified within the ongoing external review of Corporate Landlord delivery model, once concluded.	Medium
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Catering and Cleaning Services	A review of strategic and operational arrangements for the implementation of recommendations identified within the Schools Catering and Cleaning Review of opportunities and options available for future service delivery.	Medium
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Carbon Reduction Credits Scheme	An annual assurance review and certification in accordance with the CRC Scheme requirements.	Medium
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### Housing

Tenant Management Organisations	A review of the governance and management arrangements operated within the TMO's in order to seek assurance regarding compliance with the management agreement. A review will also be undertaken of the Council's governance, monitoring and performance management arrangements in relation to Tenant Management Organisations service delivery and compliance.	High
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Housing Capital Programme	A review of governance, programme/project management, risk management, control systems and resource/succession planning in operation for the strategic and operational delivery of the Housing Capital Programme.	High
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**Education and Vulnerable Pupils**

Vulnerable Young Persons	A review of the arrangements and procedure in operation for the placement of vulnerable young people in alternative education provision.	High
Post 16 Provision in Schools	A review of the arrangements in place to prepare pupils with Education Healthcare Plans for independence.	Medium
Early Years	A review of external provision for early years.	Medium
Data Integrity	A review of the key management information systems used to record pupil data to ensure they are accurate and reliable and that quality control mechanisms are in place.	Medium
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium

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**Skills and Adult Education**

Adult Education Policies and Procedures	A high-level review of the governance, approval and review arrangements for the development of consistent and coherent policies and procedures in force for Adult Education to ensure they are effective, efficient and reflect Council approach.	Medium
Black Country wide European Social Fund and Youth Employment Initiative	A review of the arrangements in place for performance management, monitoring and reporting regarding the achievement of objectives, outcomes and outputs as well as benefits realisation.	Medium
Wolves@Work Benefits Realisation and Management	A review to seek assurance that appropriate benefits realisation and management arrangements are in operation to demonstrate achievement of objectives, outcomes and outputs.	Medium

Auditable area	Purpose	Rating
WV Living	A review of the arrangements in place for the following: <ul style="list-style-type: none"><li>• Governance Framework</li><li>• Service Level Agreements</li><li>• Finance and Treasury Management</li><li>• Procurement</li></ul>	Medium

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>12 March 2018</p>
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<b>Report title</b>	Review of Fraud Related Policies and Procedures	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for decision:**

The Committee is recommended to:

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

## **1.0 Purpose**

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

## **2.0 Background**

- 2.1 The fraud related policies and procedures were last updated, reviewed and approved by the Audit and Risk Committee in March 2017.

The documents are as follows:

- Appendix 1 – Anti-fraud and corruption policy and procedure
- Appendix 2 – Whistleblowing policy and procedure
- Appendix 3 – Raising fraud awareness guide

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

- 3.1 The reference to the Director of Finance has been updated to Claire Nye and the new address for Public Concern at Work included in the documents.
- 3.2 A new section identifying the Council's powers of investigation has been added to the Anti-fraud and corruption policy.
- 3.3 Due to changes in legislation the Anti-money laundering policy is being updated and will be presented to a future meeting for approval.
- 3.4 These policies and procedures will be reviewed on an annual basis by the Committee.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/27022018/I)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendations in this report. (TS/23022018/S)

## **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**

10.1 None.

## **11.0 Appendices**

11.1 Appendix 1 – Anti-fraud and corruption policy and procedure  
Appendix 2 – Whistleblowing policy and procedure  
Appendix 3 – Raising fraud awareness guide

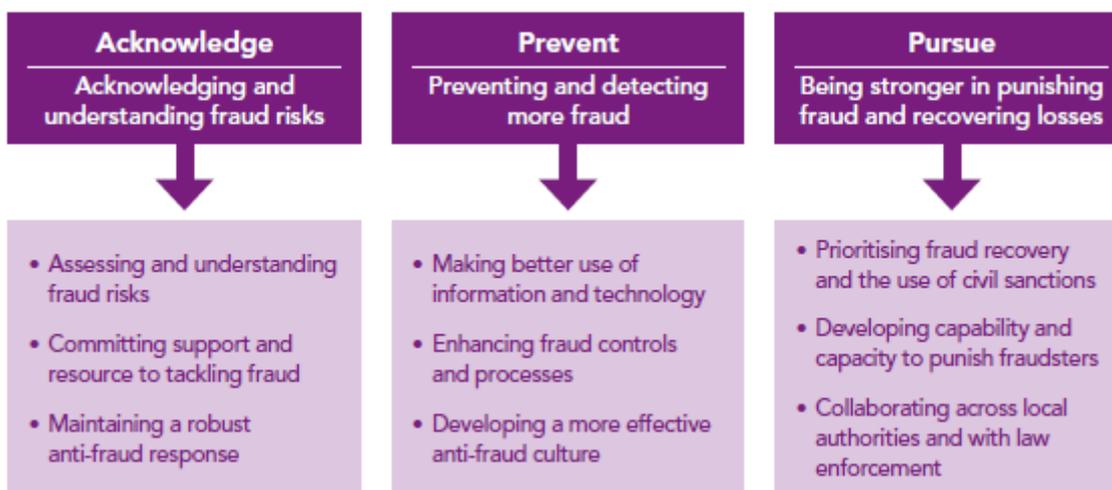
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## Policy Statement

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

## Links to the Council's corporate plan themes and aims

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



## Introduction

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

## What is Fraud?

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

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

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

## Consequences of Fraud

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

## Culture

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

## Responsibility

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

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

### Employees

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

### Senior officers

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

### Director of Finance (Section 151 Officer)

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

## Head of Audit

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

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

## Councillors

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

## External audit

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

## Suppliers, contractors and external organisations

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

## Other related documents

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

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

## Council's Powers of Investigation

### Who can investigate

Audit Services has responsibility to investigate any instances of possible fraud, corruption and bribery being perpetrated against the Council and its client base. This can involve the use of in house staff and specialists from other Council teams, associated bodies, other Council's and external organisations, including law enforcement agencies such as the Police.

### What can be investigated

The Counter Fraud Unit is a function of Audit Services and is responsible for the planning, preparation, and controlling of all fraud related activities, sensitive investigations and whistleblowing, across all areas of the Council and its client base. To include undertaking interviews under caution, interviews with suspects and witnesses, and attending court as a prosecution witness on behalf of the Council.

## Surveillance

To oversee applications for surveillance under RIPA legislation, ensuring that prior to reference to the Magistrates Court, that all other lines of enquiry have been followed and that the requested surveillance is proportionate and necessary in line with the council's policy and national legislation. Also, to represent the Council at meetings with inspectors from the Office of Surveillance Commissioners.

## Prosecutions and Cautions

Ensure that legal referrals are prepared to the highest standard when passed to Legal Services or the Crown Prosecution Service (CPS) as necessary. Undertake Caution interviews as necessary.

## Recovery

Financial Investigators are used to investigate a person's financial matters. They can also investigate the finances of a business or a private limited company. Financial investigators determine where money comes from, how it is moved and how it is used. The information acquired is used to recover the proceeds of crime, including money owed to the council and the public purse and the enforcement of confiscation orders.

## Legal frameworks

The counter fraud unit operate within the following legal frameworks:

- **PACE (Police and Criminal Evidence Act 1984) code E** – used when conducting interviews under caution.
- **DPA (Data Protection Act 1998 sections 29 and 35)** – used to obtain information on each investigation from various government departments, companies etc.
- **CPIA (Criminal Procedure and Investigations Act 1996)** – adhered to when investigating. All documents are recorded, retained and revealed in investigations.
- **RIPA (Regulation of Investigatory Powers Act 2000, part II)** – Used when conducting surveillance.
- **HRA (Human Rights Act 1998)** – adhered to with each investigation.
- **POSHFA (Prevention of Social Housing Fraud Act 2013)** – Used to request information in tenancy fraud cases.
- **Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012** – Used for investigating Council Tax Reduction cases.
- **Housing Act 1985** – Used in cases relating to succession of housing.
- **Fraud Act 2006** – Used in general fraud cases.
- **Proceeds of Crime Act 2002** – used for investigations linked to prosecutions and enforcement of confiscation orders.

## Local Government Fraud Act 1972

The counter fraud unit investigators are required to investigate in accordance with the Local Government Act 1972. The following sections from this Act are relevant:

- **Section 151** – Duty to protect public funds: Every Local Authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of the officers has responsibility for the administration of those affairs.
- **Section 222** – Right to prosecute and instigate civil proceedings to recover funds due: Where a local authority consider it expedient for the promotion or protection of the interests of the inhabitants of their area they may prosecute, defend or appear in any legal proceedings and, in the case of any civil proceedings, may institute them in their own name.
- **Section 223** – Right to appear in court: Any member or officer of a local authority who is authorised by that authority to prosecute or defend on their behalf or to appear on their behalf in proceedings before magistrates' court shall be entitled to prosecute or appear in any such proceedings and to conduct any such proceedings.
- **Section 111** – Right to act: Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and any other enactment passed before or after this Act, a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to the discharge of any of their functions.
- The right to question suspects and witnesses – Police and Criminal Evidence Act 1998 - PACE (Code C):

The above information is not exhaustive and includes other statute or statutory instruments relevant to fraud investigation. The above may also be amended or substituted and all relevant subordinate legislation is included.

## The Bribery Act 2010

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

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

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

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

## Training

The Council recognises that for a successful anti-fraud and corruption culture to be effective, suitable training should be available to all employees, and this will be provided through a variety of methods including seminars, on-line training and the production of helpful guides.

## Investigations

Where someone knows, or suspects, that an irregularity or an instance of fraud, corruption or bribery is occurring, they should report it to their immediate line manager, or failing this the Director of Finance (Section 151 Officer), in effect this is passed on to the head of audit. Audit Services shall, dependent upon the issue, prepare a response plan, carry out an investigation and report back appropriately.

Each allegation and their subsequent outcome shall also be reported by audit services to the Audit Committee. In the event that a member of the Audit Committee is dissatisfied with any aspect of how the concern has been dealt with, the matter will be referred to the council's external auditors.

## Referrals to the Police

Decisions to refer a fraud, corruption or irregularity matter to the police will normally be taken by the Director of Finance or their nominee. Notwithstanding any action taken by the Police, the Council is committed to recovering any losses incurred as a result of fraudulent activity wherever possible. This may include pursuing a civil action through the courts where this is deemed to be an appropriate course of action.

## Conclusions

The Council maintains systems, procedures and guidelines that assist in the minimisation of fraud and corruption and will carry out a full investigation of any issues that arise. Such arrangements are regularly reviewed to ensure they are operating effectively and efficiently.

The Council, will wherever possible, publicise its continual commitment to establishing an anti-fraud and corruption culture.

This policy will be reviewed on an annual basis by the Head of Audit Services and the Audit Committee to ensure that it remains up to date, fit for purpose and represents generally accepted good practice.

## Useful contact details

Anyone who has any concerns regarding the possibility of fraud, corruption or bribery taking place can contact the following:



**Fraud Hotline: (01902) 550550**

(24 hours a day, 7 days a week, answerphone out of office hours)

**Peter Farrow - Head of Audit Services**

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

**Claire Nye – Director of Finance (S151 Officer)**

Tel: (01902) 550478

e-mail: claire.nye@wolverhampton.gov.uk

**Kevin O’Keefe – Director of Governance/Monitoring Officer**

Tel: (01902) 554910

e-mail: kevin.o’keefe@wolverhampton.gov.uk

**The Council’s external auditors:**

Grant Thornton UK LLP

Colmore Plaza

20 Colmore Circus

Birmingham

B4 6AT

(Tel: 0121 212 4000)

**Public Concern at Work**

CAN Mezzanine

7 - 14 Great Dover Street

London

SE1 4YR

(Tel: 020 7404 6609)

(Advice line: [whistle@pcaw.org.uk](mailto:whistle@pcaw.org.uk))

([www.pcaw.org.uk](http://www.pcaw.org.uk))

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## Policy statement

Every employer faces the risk that something will go badly wrong in their organisation and ought to welcome the opportunity to address it as early as possible. Whenever such a situation arises the first people to know of such a risk will usually be employees yet while these are the people best placed to speak up before damage is done, they often fear they have the most to lose if they do (otherwise known as “whistleblowing”). They may also feel that speaking up would be disloyal to their colleagues or to the Council and they may fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we actively encourage employees, and others that we deal with, who have serious concerns about any aspect of the Council’s work to come forward and voice those concerns.

This document makes it clear that you can raise concerns without fear of victimisation, subsequent discrimination or disadvantage. This whistleblowing policy and procedure is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem.

Whistleblowing is the popular term used when someone who works in an organisation raises a concern that could threaten customers, colleagues, the public or the organisation’s own reputation. As an early warning system, whistleblowing can help alert employers to risks such as:

- a danger in the workplace;
- fraud in, or by the organisation;
- offering, taking or soliciting bribes;
- damage to the environment;
- failure to comply with appropriate professional standards;
- gross waste or mismanagement of funds;
- serious misuse or abuse of authority;
- misreporting performance data; or
- neglect of people in care.

## Whistleblowing concerns as distinct from grievances

Whistleblowing is where an employee has a concern about danger or illegality that has a public interest aspect to it. A grievance or private complaint is, by contrast, a dispute about the employee’s own employment position and has no additional public interest dimension.

Therefore, any issues surrounding an employees’ own contracts of employment, bullying or harassment, should be raised under the existing Council policies for these issues (copies of which can be obtained on the Council’s intranet site). Where issues involve potential cases of fraud, bribery or corruption, employees should also refer to the Council’s anti-fraud and corruption policy and procedure.

## Aims of this policy and procedure

The aims of the whistleblowing policy and procedure are as follows:

- To encourage employees to feel confident about raising concerns and to question and act on those concerns.
- To provide ways for employees to receive feedback where appropriate on any action taken as a result.
- To reassure employees that if they raise concerns in the public interest and reasonably believe them to be true (\*known as a public interest disclosure), the Council will not tolerate any reprisal against an employee because they have raised a concern under the policy, and will treat any such reprisal as a disciplinary matter which might lead to dismissal. However, this assurance is not extended to those who maliciously raise a concern that they know is false, which is also considered a disciplinary matter.
- To ensure that employees are aware of the options available to them if they are dissatisfied with the Council's response.

\* No agreement made before, during or after employment, between an employee and the Council will preclude that employee from making a public interest disclosure.

## Who is covered by the policy and procedure?

The Council's whistleblowing policy and procedure applies equally to employees, Councillors, job applicants, volunteers, agency workers and Council contractors, suppliers and partners.

## Raising a concern

While it is hoped this policy and procedure will reassure employees to raise concerns internally, the Council accepts that employees can safely contact an appropriate external body. Therefore, you may wish to, or benefit from, talking the matter through in confidence with such an external body. If so, independent and confidential advice is available through the organisation Public Concern at Work, who can be contacted as follows:

### **Public Concern at Work**

CAN Mezzanine  
7 - 14 Great Dover Street  
London  
SE1 4YR  
(Tel: 020 7404 6609)  
(Advice line: [whistle@pcaw.org.uk](mailto:whistle@pcaw.org.uk))  
([www.pcaw.org.uk](http://www.pcaw.org.uk))



Public Concern at Work is a whistleblowing charity that aims to protect society by encouraging workplace whistleblowing. They operate a free, confidential advice line for workers with whistleblowing dilemmas.

If you decide to go ahead with raising a whistleblowing concern, the Council hopes that you will feel able to raise it with your line manager. Where you do not feel that is an option or a sensible course (for example because the issue may involve your manager), or if the concern has been raised locally but remains unaddressed, the concern can be safely raised at a higher level by using the Council's confidential whistleblowing hotline:



Whistleblowing hotline: (01902) 550550

(24 hours a day, 7 days a week, answerphone out of office hours)

Alternately, concerns can be raised directly with the following officers:

**Peter Farrow - Head of Audit Services**

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

**Kevin O’Keefe – Director of Governance/Monitoring Officer**

Tel: (01902) 554910

e-mail: kevin.o’keefe@wolverhampton.gov.uk

This policy and procedure is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following may be useful contact points:

**Public Concern at Work** (contact details above)

**The Council’s external auditors:**

Grant Thornton UK LLP

Colmore Plaza

20 Colmore Circus

Birmingham

B4 6AT

(Tel: 0121 212 4000)

Whilst anonymous allegations will be assessed and action taken where appropriate, it is much more difficult to properly investigate matters raised anonymously. The whistleblowing policy and procedure is designed to protect anyone raising concerns and individuals utilising the provisions of the policy are encouraged to identify themselves. Obviously, feedback relating to any investigation which has been undertaken can only be provided where contact details are known.

**How will the Council respond?**

Where a concern is raised, whether formally under the policy or not, the manager will listen carefully, avoid pre-judging the issue and decide whether it should be dealt with under the whistleblowing policy.

Some concerns may be more suitable to be investigated and dealt with by managers through alternative Council procedures such as the disciplinary or grievance processes. Also, concerns or allegations which fall within the scope of other specific procedures (for example, child protection issues) will normally be referred for consideration under those procedures.

Where it is decided that it is a whistleblowing concern, and in all cases where a concern is raised formally (by invoking the policy), the manager should notify the head of audit services. A decision will then be taken between both parties, as to the most appropriate way in which the concern can be investigated, dependent upon how serious and urgent the risk is, for example

an audit services investigation, other internal investigation, referral to the police or other external organisation.

You will be told how and by whom your concern will be handled, and be given an estimate of how long any investigation will take.

If you would like an update or feedback following the raising of your concern, you will be told, where appropriate the outcome of the investigation. However, due to the legal obligations of confidentiality the Council owes other employees, it might not be able to freely provide feedback on the outcome of any disciplinary action taken against another employee.

The Council will respect confidentiality and your identity will be kept confidential if you request, unless disclosure is required by law. However, the Council cannot guarantee that others may not try to deduce (correctly or otherwise) your identity. If you are wrongly identified as having raised a concern, the protection offered to whistleblowers within the policy, will also apply to you.

## Reporting

The Head of Audit Services will maintain a record of all key details of concerns raised under the whistleblowing policy and procedure and will report on whistleblowing concerns and their outcomes, as necessary to the Audit and Risk Committee in accordance with the principles on confidentiality.

In the event that a member of the Audit and Risk Committee is dissatisfied with any aspect of how the concern has been dealt with, the matter will be referred to the Council's external auditors.

An annual report summarising activity undertaken under the Council's whistleblowing policy and procedure will also be submitted to the Audit and Risk Committee. This report will include:

- a record of the number and types of concerns raised and the outcomes of investigations;
- feedback from individuals who have used the arrangements;
- any complaints of victimisation;
- any complaints of failures to maintain confidentiality;
- a review of other existing reporting mechanisms, such as fraud, incident reporting or health and safety;
- a review of other adverse incidents that could have been identified by staff (e.g. complaints, publicity or wrongdoing identified by third parties);
- a review of any relevant litigation; and
- a review of staff awareness, trust and confidence in the arrangements.

## Review of the whistleblowing policy and procedure

The Council's whistleblowing policy and procedure will be reviewed on an annual basis by the Head of Audit Services and the Audit and Risk Committee to ensure that it remains up to date, fit for purpose and represents generally accepted good practice.

## Anti-Fraud and Corruption Policy Statement

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

All public sector organisations are at risk of, or affected by, fraudulent or corrupt activity. Everyone has a key role to play in deterring and tackling such abuse, as this guide explains. Apart from costing all of us as taxpayers millions of pounds each year, the reasons you should not ignore fraud and corruption are that it:

- demoralises honest colleagues
- strengthens bullies and incompetents
- encourages others to behave in the same way
- diverts precious resources from those who need it
- undermines public and political confidence in public services
- makes your job harder

## What is fraud?

For the Council's purpose fraud can be defined as the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain (this covers theft, false accounting, bribery and corruption, deception, collusion, money laundering and identity theft). Examples of fraudulent activities include:

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

## How fraud occurs

At least one of the four following basic elements, are usually found to be present when fraud occurs:

- people are involved - they may be people or groups working inside or outside the Council
- assets are at risk
- intent/motive to commit the fraud is present
- opportunity

Managers have a responsibility to ensure that the opportunities for fraud are minimised. While some people would never contemplate fraud, others may if they thought they could get away with it. A high chance of being caught will deter them. Opportunities to commit fraud will be reduced by ensuring that a sound system of internal control has been established and that it is

functioning as intended.

## Example indicators of potential fraud in systems

To spot fraud indicators in individual areas or activities it is important that accepted practices have been established for the area or activity under review - the following are examples of possible fraud indicators in a number of areas:

- secretiveness or defensiveness
- when an employee is on leave, the work is left until they return
- annual leave not taken
- regular long hours working
- high staff turnover rates in key controlling functions
- understaffing in key control areas
- low staff morale/lack of career progression/weak management
- lack of rotation of duties
- inadequate or no segregation of duties
- an employee's lifestyle is more affluent than would be expected from their employment
- excessive variations to budgets or contracts
- bank and ledger reconciliations are not maintained or cannot be balanced
- excessive movements of cash or transactions between accounts
- numerous adjustments or exceptions
- key documents missing (e.g. invoices, contracts)
- absence of controls and audit trails
- inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation)
- consistent failures to correct major weaknesses in internal control
- documentation that is photocopied or lacking essential information
- duplicate payments
- 'ghost' employees on the payroll
- large payments to individuals
- lack of senior management oversight
- PO boxes as shipping addresses
- defining needs in ways that can be met only by specific contractors

## Some do's and don'ts for managers who suspect fraud

**do** be open to staff concerns. We need to encourage staff to voice any genuine concerns. You should reassure staff that if they raise concerns with you that are in the public interest, they will be protected from victimisation or reprisal. If someone wishes to discuss a concern in confidence you should respect it, but tell them that there may be circumstances (for instance, where their evidence is needed in court) where the matter cannot be resolved unless their identity is revealed.

**do** note details. Get as much information as possible from the employee. If he or she has made notes, ask for a copy of these. In addition, note any documentary evidence that may exist to support the concern, but do not interfere with this evidence in any way.

**do** evaluate the information objectively - Before you take the matter further, you need to determine whether any suspicions appear justified. Be objective when evaluating it. Consider the facts as they appear, based on the information you have to hand.

**do** deal with the matter promptly. The sooner the problem is detected the sooner any damage caused can be repaired.

**don't** approach or accuse any individuals directly. If the concern seems credible, don't

accidentally tip-off a fraudster in case incriminating evidence could be destroyed.

**don't** convey the concern to anyone other than someone with the proper authority. We have appointed and trained designated individuals able to deal with and help guide you on fraud matters.

**don't** try to investigate the matter yourself. If the concern seems credible don't rush into investigating the matter yourself. Pass it on or discuss it as soon as possible with the person or body who has been given that responsibility.

## Some do's and don't's for employees who suspect fraud

**do** raise the matter. The sooner the problem is raised and looked into, the sooner any wrongdoing can be stopped and the sooner you, and others can be reassured things are in order.

**do** pass on any reasonable suspicion to someone in authority.

**do** remember key details. If possible, make a note of key details, such as what caused your suspicion, when things happened and who was involved.

**don't** ignore it. If you are worried that some wrongdoing is happening at work, please don't keep it to yourself.

**don't** investigate the matter. You may make matters worse if you do. It's your job to raise the concern, not to prove it.

**don't** report your suspicions to someone who doesn't have proper authority. There are special rules surrounding the gathering of evidence for use particularly in criminal cases. Attempts to gather evidence by people who are unfamiliar with these rules can inadvertently destroy the case.

**don't** delay. As you won't be asked to prove your concern, raise it when it's a concern. Don't wait for proof.

## Investigating suspected fraud

Audit Services normally investigate cases of suspected fraud as investigations must be well managed and carried out by staff trained in handling fraud and corruption investigations in order to result in the right outcome. There are special rules surrounding the gathering of evidence for use in criminal cases and any attempt to gather evidence by people who are unfamiliar with these rules may adversely affect the outcome of the case.

Your primary responsibility is to report the issue and all associated facts promptly and accurately to an appropriate person. You should then be prepared to co-operate as guided in any subsequent investigation.

## Useful contact details

Anyone who has any concerns regarding the possibility of fraud, corruption or bribery taking place can contact the following:



**Fraud Hotline: (01902) 550550**

(24 hours a day, 7 days a week, answerphone out of office hours)

### **Peter Farrow - Head of Audit Services**

Tel: (01902) 554460

e-mail: [peter.farrow@wolverhampton.gov.uk](mailto:peter.farrow@wolverhampton.gov.uk)

### **Claire Nye – Director of Finance (S151 Officer)**

Tel: (01902) 550478

e-mail: [claire.nye@wolverhampton.gov.uk](mailto:claire.nye@wolverhampton.gov.uk)

### **Kevin O’Keefe – Director of Governance/Monitoring Officer**

Tel: (01902) 554910

e-mail: [kevin.o’keefe@wolverhampton.gov.uk](mailto:kevin.o’keefe@wolverhampton.gov.uk)

### **The Council’s external auditors:**

Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT  
Tel: 0121 212 4000

### **Public Concern at Work**

CAN Mezzanine  
7 - 14 Great Dover Street  
London  
SE1 4YR  
(Tel: 020 7404 6609)  
(Advice line: [whistle@pcaw.org.uk](mailto:whistle@pcaw.org.uk))  
([www.pcaw.org.uk](http://www.pcaw.org.uk))

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>12 March 2018</p>
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<b>Report Title</b>	Audit Services – Counter Fraud Update	
<b>Accountable Director</b>	Claire Nye	Finance
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for noting:**

The Committee is asked to note:

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

## **1.0 Purpose**

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

## **2.0 Background**

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

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

- 3.1 At the last meeting of the Audit and Risk Committee in December 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/27022018/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/27022018/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 @ March 2018



## 1 *Introduction*

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

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

## 2 *The Counter Fraud Unit*

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

## 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 has continued to provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

The move to the Council enables the team to use more extensive investigatory powers under the 'Prevention of Social Housing Fraud Act 2013'. 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.

### *CIPFA's Annual Fraud and Corruption Tracker Report 2017*

During April 2017 the Council's Counter Fraud Unit submitted the completed annual fraud and error survey response to the Chartered Institute of Public Finance Accountants (CIPFA's). The information contained in the survey was used to produce the national Fraud and Corruption Tracker report (Appendix 3). The report identified that In 2016-2017, an estimated 75,000 fraud cases worth £336.2m were detected or prevented by local authorities. Housing scams amounted to the highest value fraud type with 5,939 totalling £263.4m. Council tax fraud, such as falsely claiming the single occupancy discount, was the most common fraud type with 57,136 cases detected with a total value of £25.5m.

The report highlights a number of emerging risks. The average value of loss for Adult Social Care cases was below £10,000 in 2015-2016 but in 2016-2017 had risen to around £13,000. There were 264 Personal budget fraud cases totalling £2.8m. The number of fraud cases involving Right to Buy increased from 870 in 2015-2016 to 1,284 in 2016-2017. This risk is set to increase as the scheme is rolled out to housing associations.

Procurement fraud, such as overcharging and falsely billing for goods and services, was also highlighted as a growing threat. The value of reported cases saw an increase from £5.7m in 2015-2016 to £6.2m in 2016-2017.

CIPFA recommend that local authorities work together to share information and to include cyber security in new policies and to raise awareness of fraud within adult social care. The Council has already identified these issues in the Fraud Risk Register (Appendix 2) with Personal Budgets and Cyber Security identified as red risks. The Counter Fraud Plan (Appendix 1) provides more details of the initiatives planned to address these issues and to encourage the sharing of data with other local authorities.

The key survey results for Wolverhampton were:

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

Type of fraud and/or error	2015/2016		2016/2017	
	Cases	Value	Cases	Value £
<b>Tenancy sub-letting</b> (Wolverhampton Homes) – Illegal subletting of properties	16	*£288,000	14	£252,000
<b>Other tenancy fraud</b> (Wolverhampton Homes) – fraudulent application, succession, abandonment or non-occupation	38	*£684,000	20	£360,000
<b>Right to buy</b> (Wolverhampton Homes)	1	£35,000	3	£144,000
<b>Council tax discount</b> – single person discount as a result of fraud or error	931	£230,000	535	£158,000
<b>Payroll</b> – claiming for excessive hours	2	£3,000	4	£10,000

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

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

#### *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 13,613 matches have now been released of which the Cabinet Office has identified 4,583 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. 2,637 matches have been processed, 100 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 December 2017 are shown below:

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

### *Partnership Working*

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's Counter Fraud Plan, including carrying out investigations. This joint approach will see an increase in shared information, working practices and the introduction of new counter fraud initiatives.

### *Fraud Risk Register*

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

### *Midland Fraud Group*

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in 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.		Midland Fraud Forum Conference – February 2018  CIPFA Counter Fraud Summit - November 2017

Issue	Action	Timescale
		National Anti-Fraud Network Summit – October 2017  RBS Fraud Seminar – October 2017  Natwest Fraud Training – June 2017
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> <li>• New CIPFA Code of Practice</li> </ul>	June 2015 (the last time required)
	<ul style="list-style-type: none"> <li>• The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English Public Purse</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>• Department for Communities and Local Government – ten actions to tackle fraud against the Council.</li> </ul>	On-going
	<ul style="list-style-type: none"> <li>• Consideration of fraud resilience toolkit</li> </ul>	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	November 2017 - Wolverhampton Homes Tenancy Fraud Team transfer to Council's Counter Fraud Unit
	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

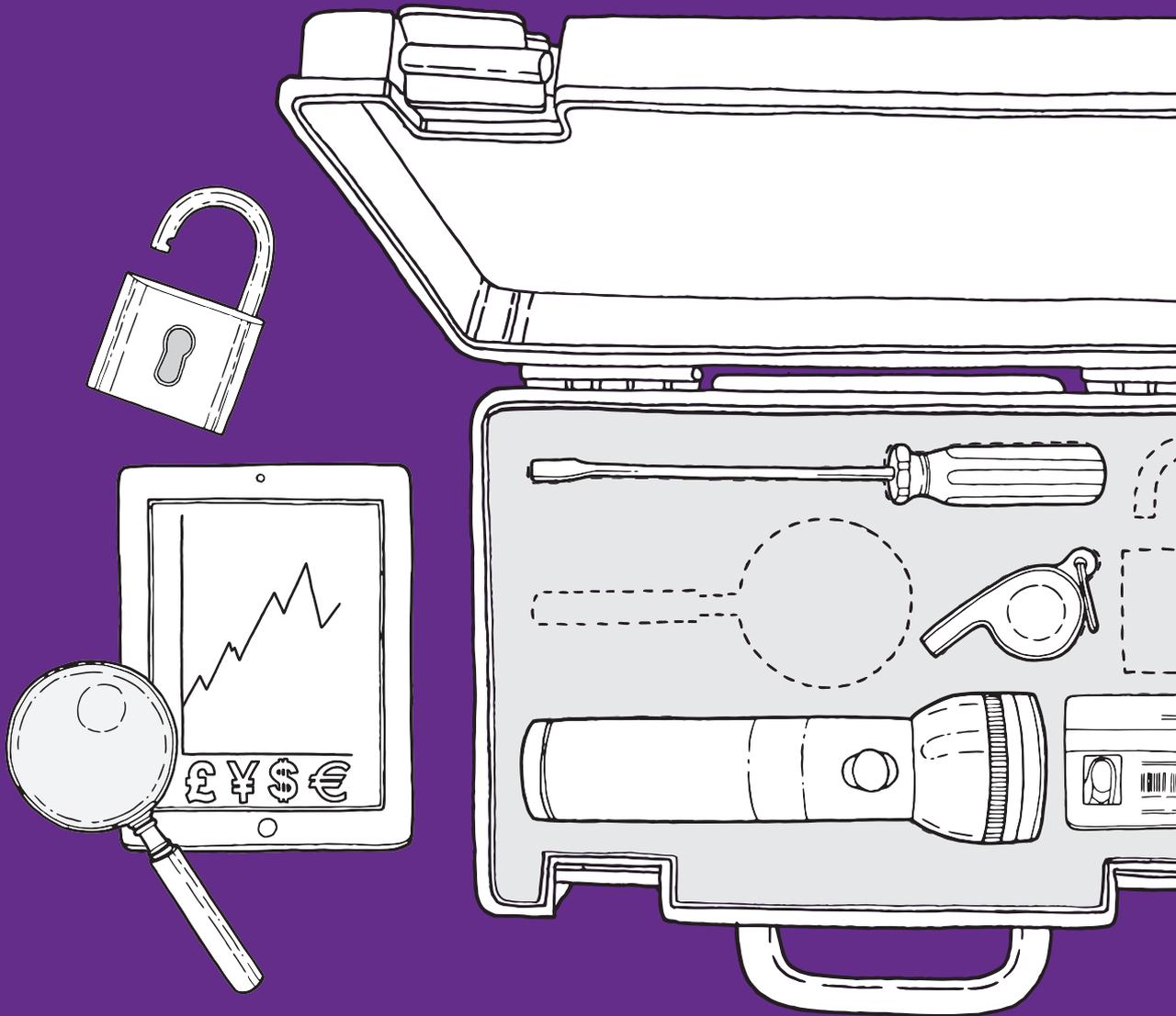
Issue	Action	Timescale
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to 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 2018
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Winter 2018
	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 @ February 2018*

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

# fraud and corruption tracker

Summary Report 2017



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## Foreword

Public sector organisations around the UK are clearly committed to fighting fraud and corruption. Through the implementation of initiatives and collaboration with new partners, the public sector understands the importance of counter fraud activity and the contribution it makes to organisations' resilience. The success of counter fraud activities is more than about saving money but covers both the reputational and moral risk for an organisation.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey is part of that story and provides a picture of fraudulent activity in local government and identifies actions that are being taken to combat it.

Supported by organisations such as the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), CIPFA draws on the expertise of those within the profession to deliver this annual survey which enables practitioners to focus on trends and emerging risks.

Understanding emerging risks allows authorities to develop appropriate strategies and deploy adequate resources to support the fight against fraud and corruption. This year's survey has shown that adult social care fraud has evolved from an emerging risk to one with which many local authorities are now actively engaged.

This report, which summarises the findings of the most recent CFaCT, not only raises awareness of fraud prevention, detection and deterrence across local government, but will also enable organisations from across the wider public sector to benchmark their responsiveness against others facing similar risks.

This report will:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of counter fraud activity
- assist operational staff to develop pro-active counter fraud plans.

The survey was supported by:



## The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CCFC leads and co-ordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



## Introduction

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

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

The third CFaCT was carried out in May 2017 and provides a national picture of fraud, bribery and corruption in local government. It also shows how the sector is dealing with the challenges and helps identify the actions that the sector needs to take to reduce the threat posed by fraudulent activity.

The CFaCT draws on the experience of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. It received a spread of results from across all regions and local authorities, enabling us to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

### Response Rate

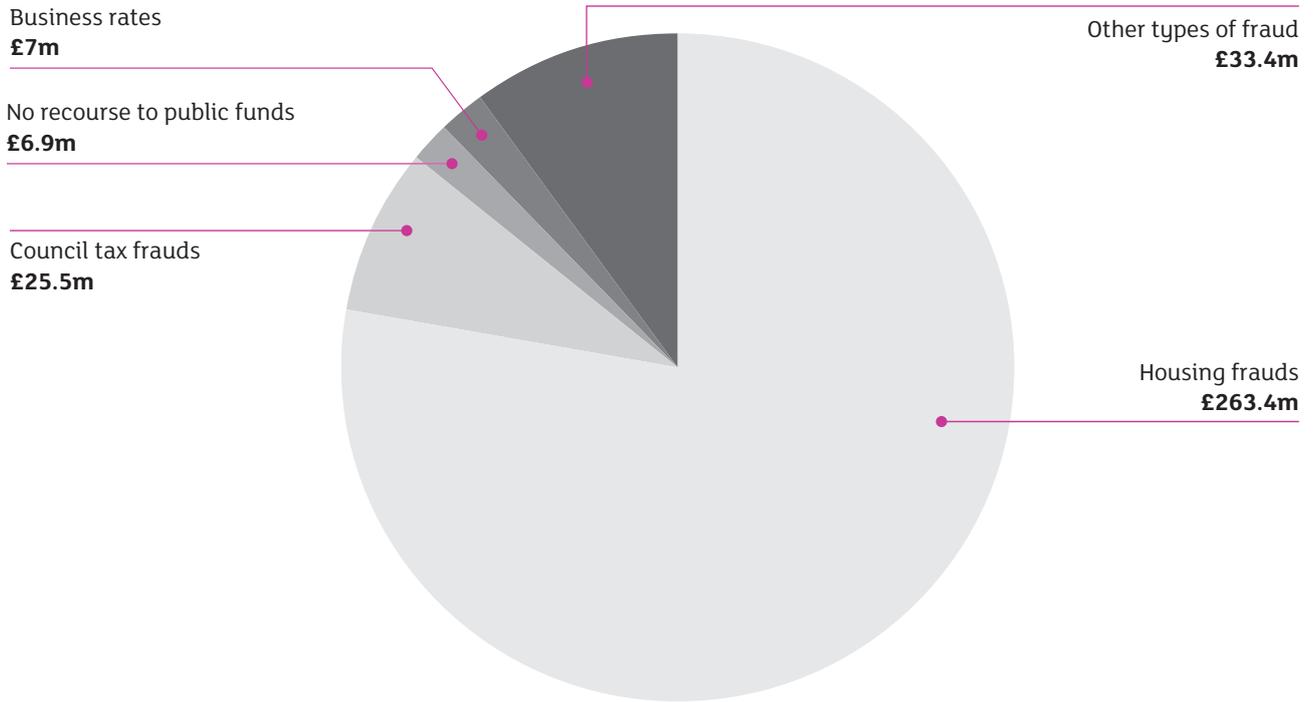


CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.

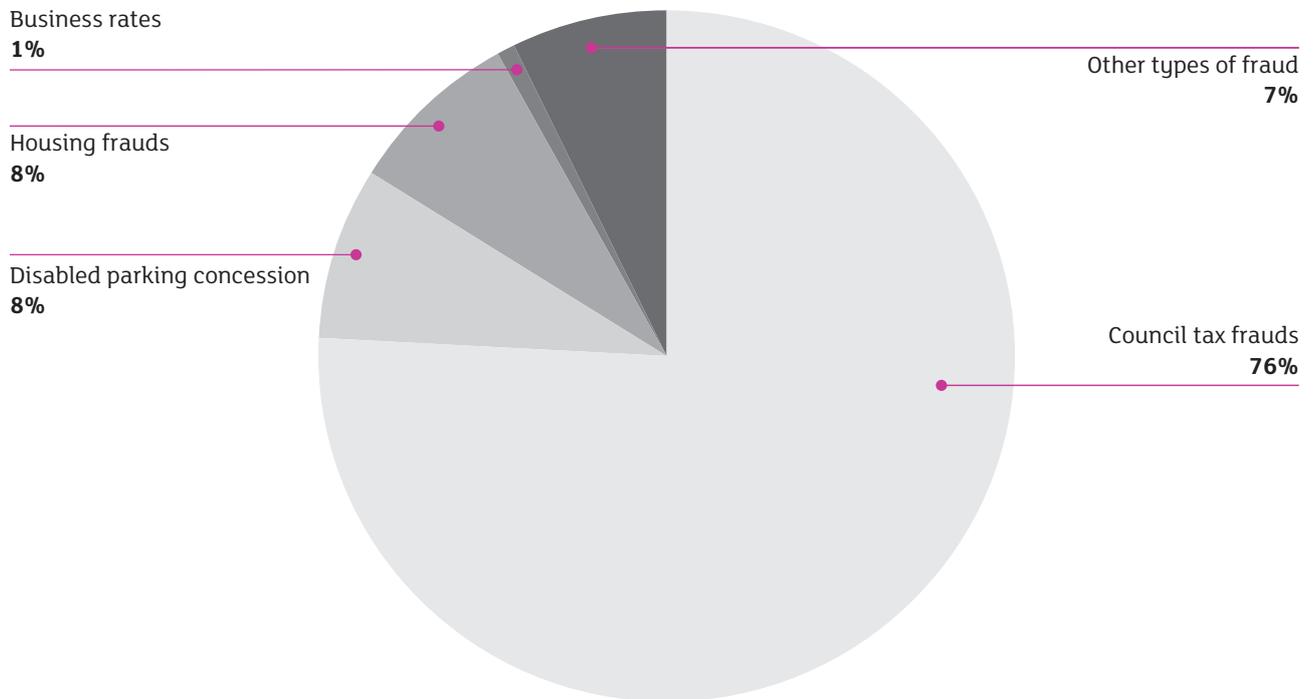
The CFaCT also revealed the following:

- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
- adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
- the highest number of investigations related to council tax fraud (76%) with a value of £25.5m
- the highest value area of fraud is housing with an estimated total of £263.4m
- 38% of organisations who responded have a dedicated counter fraud service.

### Estimated value of fraud detected



### Detected fraud by estimated volume



Cyber crime has a high profile in the media and poses a growing challenge to a sector becoming more digital in terms of service delivery. The threat calls on the shared expertise of fraud and IT teams and it is often unclear who holds responsibility. Respondents to the CFaCT 2017 reported that only three fraud teams (2.3%) were responsible for cyber risk, whereas 106 (80%) reported that IT or the chief information officer held responsibility.

When we started the survey in 2014, three quarters of respondents told us that cyber risk was not included in the corporate plan. This year we see that over half the respondents had carried out a cyber risk assessment in the previous 12 months.

A number of themes and challenges have emerged over the three years that CIPFA has carried out this survey, and these include the following:

- housing has the highest value of all fraud types
- council tax fraud has seen the highest volume of cases
- local authorities benefit from looking forward, preparing for and understanding emerging risks in order to find effective solutions

- barriers to effective data sharing have consistently been stated as impacting on fraud prevention and investigation
- insufficient capacity and a lack of effective fraud risk assessment have proved to be challenges.

In the past three years fraud teams have operated within increasingly restricted budgets while the frauds they look to uncover become more sophisticated. From the figures and responses in the report, fraud teams are responding with positivity and a professional commitment to these challenges. The CFaCT shows that the sector is focusing on certain fraud areas, combining skills and resources and developing shared services.

This report highlights:

- the types of fraud as identified in the CFaCT 2017
- how the fraud and corruption landscape is changing
- what monetary value is lost through fraudulent activity
- how counter fraud activity and prevention improves the public sector budget
- what threats and risks are emerging
- what is being done to prevent fraud.

## Recommendations

CIPFA recommends that organisations:

- ensure that cyber security is integral to any new strategy or policy decision, reflecting the [National Cyber Security Strategy 2016 to 2021](#)
- continue to be vigilant and raise awareness of fraud within adult social care
- have a strong counter fraud leadership that understands the importance of involving counter fraud practitioners when devising policy and strategy
- continue to maximise opportunities to share data and to explore innovative use of data within the law
- communicate clearly both internally and externally the role of the fraud team and the importance of the role for both financial and reputational benefit.

## Main Types of Fraud

CIPFA has identified the main types of fraud based on the volume of investigations or the value of the financial loss. According to the survey results there are four main areas:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. adult social care.

### Council tax

Council tax fraud has always been the largest reported issue and this is the same in 2017. Council tax is levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

Council tax fraud is split into three areas:

1. council tax single person discount (SPD) – eg where the council tax payer falsely claims to be an eligible single occupier
2. council tax reduction (CTR) support – eg where the council tax payer falsifies household income to qualify for support
3. other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Traditionally an area of high volume/low value, council tax represents the highest number of fraud cases reported by local authorities (76%). However, the total value of the fraud, estimated at £25.5m, only accounts for 7.6% of the estimated value of all detected fraud.

#### Estimated council tax fraud

	Volume	Value
SPD	50,136	£19.5m
CTR	6,326	£4.8m
Other	674	£1.1m
<b>Total</b>	<b>57,136</b>	<b>£25.5m</b>

When asked about the perceived highest fraud risk areas, SPD was third behind procurement and adult social care.

### Perceived highest risk areas



**3**

Single person discount



**2**

Procurement



**1**

Adult social care

## Housing and tenancy fraud

Housing and tenancy fraud takes a number of forms including:

- illegal subletting for profit
- providing false information to gain a tenancy
- wrongful tenancy assignment and succession
- failing to use the property as the principal home
- right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount.

Housing is expensive in many parts of the country, the South East in particular, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud according to different values, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. The National Fraud Initiative (NFI) has historically used a figure of £18,000 to reflect the cost of homeless accommodation over one year, however, this year the NFI has increased that notional figure to £93,000.

The lack of a standard approach makes valuing housing fraud difficult and the approaches vary not only between regions but also between councils. To give some idea of the growth in this area this report has taken the cases reported over the last two years and estimated a figure for all local authorities. Using this methodology, the estimated total value of housing fraud is £263.4m. The number of cases of right to buy fraud has fallen since the 2016 survey but the value has risen to £112m.

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. As housing has become increasingly expensive, especially in London, the value of this type of fraud has seen a rapid increase. The loss is higher in London than in other parts of the country, with an average value per case of £97,000 against £81,000 for the rest of the UK.

### Estimated housing fraud

Type of fraud	Volume	Value
Right to buy	1,284	£111.6m
Illegal subletting	1,829	£78.5m
Other*	2,825	£73.3m
<b>Total</b>	<b>5,938</b>	<b>£263.4m</b>

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

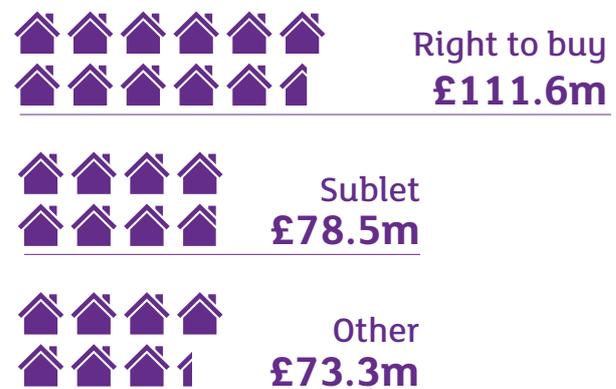
# 1,284

the estimated number of right to buy cases investigated or prevented during 2016/17

# £263.4m

the estimated total value of housing fraud investigated during 2016/17

### Estimated housing fraud



## Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide permit scheme that gives parking concessions to people with sight impairments or severe walking difficulties. It is locally administered and allows permit holders to park nearer to their destination. Fraud from the misuse of the Blue Badge has decreased since we started the survey. In 2015/16 the estimated number of cases was 7,078, and in 2016/17 this decreased dramatically to 5,751.

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

The cost of parking in London results in a higher value to case ratio. From the survey responses we estimate a total of 1,396 cases for London authorities with a total loss value of £3.0m, whereas the estimate for the rest of the

UK is 4,355 cases with a total value less than half that of London at £1.4m.

In the event that Blue Badge misuse is identified, it is often prosecuted and the individual is fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution. It is possible that because costs may not be fully redeemed, authorities have little incentive to focus attention on this fraud type. Prosecution, where successful, may serve as a warning and a reflection of public interest.

### Estimated Blue Badge fraud

Volume	Value
5,751	£4.3m

### Blue Badge prosecution

After an investigation by Warrington Borough Council's counter fraud team, the council prosecuted a resident for using a Blue Badge which did not belong to him, and had in fact expired, to park in designated disabled parking spaces.

The court fined the man £69 in respect of four offences, charged him a victim surcharge of £30, £120 in penalty charge notices and ordered him to pay £100 in court costs.

This case illustrates that any money returned to the council would not be sufficient to cover the investigation and prosecution costs, but taking the case to court would serve to raise awareness and potentially deter others.

### Value of Blue Badge fraud in London v rest of UK



**£3m**  
London



**£1.4m**  
rest of the UK

## Adult social care

There has been a rise in the number of fraud cases identified in adult social care and the value of the loss has started to increase. This is a trend that we have seen emerging over the last few surveys. In 2015/16 the average value of loss specifically for adult social care was below £10,000 but in 2016/17 we see a rise in value to around £13,000.

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

Investigations cover cases where:

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

Over the past few years many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets.

This year's survey also highlighted the links between adult social care fraud and insider fraud. Five percent of adult social care frauds investigated by respondents involved an authority employee.

### Estimated adult social care fraud

Type of fraud	Volume	Value
Adult social care personal budget	264	£2.8m
Adult social care (other)*	182	£2.8m
<b>Total</b>	<b>446</b>	<b>£5.6m</b>

\*Other includes internal fraud or identity fraud.

### Fraud by abuse of position

The counter fraud team at Essex County Council was contacted by a social worker who, after conducting a routine monitoring review, considered that the service user (Ms B) may be paying a relative living at the same address to provide support for her care needs. This had not been agreed by the service area, and was contrary to council policy on employment of personal assistants.

The team identified that Ms B, who was also a social worker employed by the council, had not been paying a carer for many years. Ms B had been receiving direct payments to cover care needs since 2002 and had submitted quarterly returns to evidence spend but this had stopped in 2007, despite being chased. At interview, Ms B advised that she had not spent the direct payment since 2007 but would not provide bank statements to evidence this. Payments from Essex County Council from April 2007 to the date of the suspension amounted to nearly £47,000.

Ms B had just sold her house and was in the process of buying another property. A cheque was returned to the council for £46,887.90.

Ms B was dismissed from the council following disciplinary procedures and the case was referred to the Health Care and Professions Council (HCPC). An HCPC hearing resulted in a caution being placed on her registration for three years.

The case was also referred to Essex Police, who confirmed that Ms B had regularly used the direct payment as her personal monies. As a result Ms B was charged with theft of £46,887.90 and pleaded guilty to the charge. She received a suspended 16 month sentence, costs of £340 and a six month curfew.

## Other Types of Fraud

Fraud covers a substantial number of areas and within organisations these vary in importance. This part of the report looks at the responses to some of these that did not appear as major types of fraud within the national picture but are important to individual organisations. Our results looked at the following fraud types in this category:

- business rates
- insurance
- procurement
- welfare assistance and no recourse to public funds
- payroll, expenses, recruitment and pensions
- economic and voluntary sector (grant fraud)
- manipulation of data (financial or non-financial) and mandate fraud.

### Business rates

Business rates have received considerable publicity and are a key cost for those who have to pay the tax. There is also the political sensitivity felt by politicians wanting to maximise an environment for economic growth and business development.

Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts.

Business rates represented 0.5% of the total number of frauds reported in 2015/16 and had risen to 0.9% in 2016/17. The estimated total value of the fraud loss has increased from £4.8m in 2015/16 to £7.0m in 2016/17.

#### Estimated business rate fraud

Volume	Value
662	£7.0m

### Insurance fraud

This fraud includes any false insurance claim made against an organisation or an organisation's insurers. Within the insurance fraud category, there were six cases of organised crime.

Authorities should ensure that counter fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigation into alleged frauds.

The total estimated value of loss in 2016/17 is £5.1m – a decrease from £7.0m in 2015/16. The number of frauds detected or prevented fell but the average value increased to £13,800.

Considerable work has been done in the area of insurance fraud and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system.

#### Estimated insurance claim fraud

Volume	Value
371	£5.1m

## Procurement fraud

Procurement fraud can occur throughout the procurement cycle, from purchasing through to the service delivered and payments. In last year's survey procurement was perceived as one of the greatest fraud risks, with housing procurement being of particular concern. The number of procurement fraud cases reported in 2015/16 was five times more than in 2014/15.

In 2016/17 there were an estimated 197 prevented or detected frauds with an estimated value of £6.2m, compared with 427 cases in 2015/16 with a total value of £5.7m; this drop in the number of cases but increase in value could indicate that higher level frauds are being discovered. However, procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

Estimates suggest that nearly 40% of all fraud committed against local authorities concerns abuse of the procurement cycle.<sup>1</sup> The London Borough of Hackney's innovative approach to this problem was to create a multifaceted and specialist procurement team within the audit and anti-fraud division. This has allowed the authority to carry out complex and often lengthy investigations which have resulted in cost savings as well as greater assurance across the organisation.

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) recommends that organisations create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority. This would highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority (CMA) is working with the public sector to identify areas of higher risk within procurement. The CMA has produced a free online tool that studies the data fed in against bidder behaviour and price patterns. It then flags areas where fraud **could** be a possibility and should be investigated.

## No recourse to public funds

 **342**  
Number of cases

 **£20,000**  
Average value

## Estimated procurement fraud

Volume	Value
197	£6.2m

For more information see also [Managing the Risk of Procurement Fraud](#) (CIPFA/LGA, 2015).

## Welfare assistance and no recourse to public funds

Local welfare assistance was set up to help the poorest residents to deal with short-term costs caused by fire, flood or injury. The assistance is not a statutory duty and with money being limited many authorities have cut the service dramatically or dropped it completely. Awards are discretionary and may come as either a crisis payment or some form of support payment.

In 2016, the estimated number of cases was 610 but this has declined in the past year to an estimated 103.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs. London had 90% of reported cases in this year's survey. This type of fraud includes claimants using false documents to obtain benefits.

Over the past 12 months the number of cases in this area has increased, rising from 255 in 2015/16 to 342 in 2016/17. However, the average value of the fraud has fallen to £20,000, resulting in an overall decrease in total loss from £8.2m to £6.9m.

## Estimated fraud in welfare assistance and no recourse to public funds

Type of fraud	Volume	Value
Welfare assistance	103	£0.3m
No recourse to public funds	342	£6.9m

<sup>1</sup> [www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf](http://www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf)

## Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation. As funds become more limited for this type of support it is even more important for fraud teams to be aware of the risks within this area.

Although only 17 actual cases of grant fraud were reported in the 2017 survey, the average value of loss was £39,000 per fraud.

## Payroll, expenses, recruitment and pensions

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

It can be very difficult, however, to measure the cost of these frauds because the implications for some do not necessarily carry a monetary value, such as reputational damage or investigating the motives behind the fraud. As a result some organisations can be less keen to investigate or report investigations in these areas.

Employees and those working inside an authority can abuse council processes for financial gain. Respondents reported that 40% of payroll fraud cases investigated or prevented during the year involved insider fraud.

Recruitment fraud is an interesting area and often one where it is difficult to establish a value of fraud loss. It would be impossible to put a price on the damage that could be inflicted on an organisation if it were to employ a member of staff who had falsified their qualifications. Without a strong risk assessment and additional investigation, an appointment may be made that would have considerable adverse implications.

## Estimated payroll, expenses, recruitment and pension fraud

Type of fraud	Volume	Value
Payroll	248	£1.0m
Expenses	75	£0.1m
Recruitment	46	£0.2m
Pension	228	£0.8m
<b>Total</b>	<b>597</b>	<b>£2.1m</b>

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

The fraud most commonly carried out within the manipulation of data category relates to employees changing data in order to show a better performance than actually occurred or staff taking data from the organisation.

[Action Fraud](#) states that:

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

CIPFA estimates that across the UK manipulation of data fraud has more than doubled from 24 in 2015/16 to 57 in 2016/17. Mandate fraud has also increased from 188 in 2015/16 to 325 in 2016/17.

Procedures must be in place to ensure that staff are aware of this type of fraud and act accordingly by checking information. Advice from organisations such as Action Fraud can help to ensure that the risk is reduced, but from the results of our survey organisations are clearly still experiencing loss. Removing data may not result in financial loss but can result in reputational damage. Mandate fraud may also not be reported because of reputational repercussions.

# 40%

of payroll cases involved insider fraud

# 90%

the percentage of respondents who have a counter fraud plan in place

## Serious and organised crime

This year's survey again included a question (requested by the Home Office) on serious and organised crime in order to help establish how it is being tackled by local authorities.

Organised crime groups are often involved in complicated and large-scale fraudulent activities which cross more than one boundary. Such activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The CFaCT 2017 identified 26 cases of serious and organised crime, and the responses indicate that organisations share a great deal of data both internally and externally. In addition, of the organisations that responded, 23% identified serious and organised crime risks within their organisation's risk register.

# 91%

the percentage of respondents who share data externally

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## Whistleblowing

Whistleblowing was strongly evidenced again this year, with 60% of organisations surveyed saying that they annually reviewed their whistleblowing arrangements in line with the [PAS 1998:2008 Whistleblowing Arrangements Code of Practice](#).

Of those questioned 85% confirmed that staff and the public had access to a helpdesk and 72% said that the helpline conformed to the PAS 1998:2008.

Respondents reported a total of 686 whistleblowing cases, made in line with PAS 1998:2008. This represents disclosures in all areas, not just with regard to suspected fraudulent behaviours. Effective whistleblowing allows

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

## Counter Fraud Resources

Increased delivery with reduced resources is the context in which fraud teams are operating. It is therefore unsurprising that the proportion using a shared service has increased from 10% to 14%. This approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

For those organisations that are not opting to run shared services, the CFaCT 2017 showed a flatlining of counter fraud staff resources until 2019. This position would appear to be a change of intention from 2015, when some respondents had hoped to increase their staff numbers. We did however see a slight increase in the number of organisations which have qualified financial investigators available in-house, from 27% in 2016 to 34% in 2017, but fraud services continue to be stretched.

While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA continues to reinforce the importance of organisations having a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

### Hertfordshire shared counter fraud service

In 2015, six councils in Hertfordshire, including the county council, established a shared service to improve the prevention of fraud and corruption. At the centre of the plan was the requirement to have a more robust and resilient service where data was exchanged and best practice shared. The commercial nature of the service also required a return on investment and the opportunity to create new income streams.

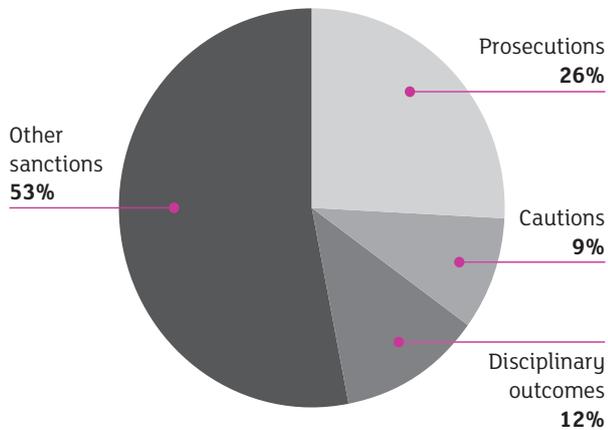
The combined service has provided flexibility and a significant return on investment for those involved, and the reduction in duplication across common policy approaches has resulted in a more efficient use of resources.

## Sanctions

The CFaCT 2017 allows us to explore the sanctions being used and indicates the following:

- 614 prosecutions were completed in 2016/17, and of the prosecutions, 22 involved insider fraud – all 22 cases were found guilty
- there was an average of four prosecutions per survey respondent
- the share of other sanctions used increased from 45% to 53% from 2016 to 2017
- the share of cautions as a proportion of all sanctions dropped from 22% to 9% between 2016 and 2017.

### Outcome of sanctions



The chart indicates that:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

# Fighting Fraud and Corruption Locally

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

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

As in previous surveys, the FFCL Board put forward specific statements to be included to help measure the effectiveness of the initiatives in the strategy and the responses are reflected in the diagram below. The more confident respondents are about the way fraud is dealt with in their organisation the higher they marked the statement, low scores are at the centre of the diagram.

## Counter fraud controls by country



Over the past three years, local authorities have identified capacity, data sharing and fraud risk management as issues that need to be addressed in order to effectively tackle fraud and corruption. The FFCL's 34-point checklist is a good starting point as it provides a comprehensive framework to address these concerns.

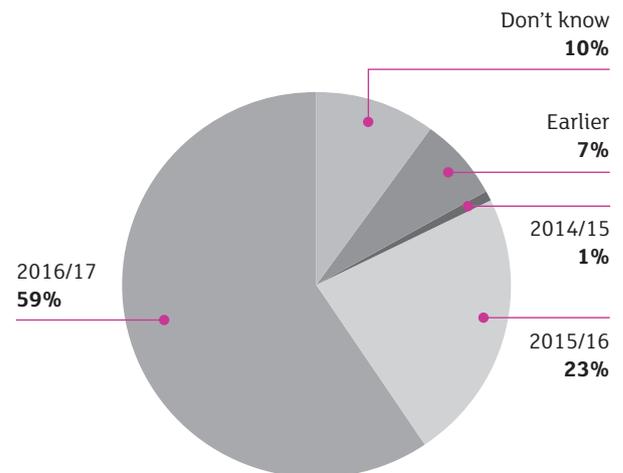
The FFCL Strategy recommends that:

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

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

In fact, an area of improvement has been the rise in organisations that have a counter fraud and corruption plan. Last year, 11% did not have a plan or did not know if they had one, and only 62% had the plan approved in the last 12 months. Of those who responded to this year's survey, 90% have a counter fraud and corruption plan in place (10% did not know) and 74% had carried out a corporate fraud assessment in the last 12 months. Some respondents reported that an assessment was pending.

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



## Acknowledgements

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

- Association of Local Authority Treasurers
- FFCL board
- Gary Coote, London Borough of Hillingdon
- Home Office
- Kate Bridge, Competition and Markets Authority
- Luan Quirke, Wirral Council
- Local Government Association
- Nick Jennings, Hertfordshire County Council
- Patrick Saunders-Wright, London Borough of Hackney
- Peter Tanton, Essex County Council
- Public Concern at Work
- Solace

## Appendix 1: Estimates and Fraud Types

The table below shows the types of fraud reported in the survey, the estimated number of cases reported during 2016/17 and an estimate of the total value of these fraud cases. The methodology used in the estimation is described in Appendix 2.

Types of fraud	Fraud cases	Value	Average
Council tax	57,136	£25.5m	£400
Housing	5,939	£263.4m	£44,300
Disabled parking concession (Blue Badge)	5,751	£4.3m	£800
Business rates	662	£7.0m	£10,600
Adult social care	446	£5.6m	£12,500
Insurance claims	371	£5.1m	£13,800
No recourse to public funds	342	£6.9m	£20,200
Mandate	325	£1.7m	£5,200
Schools (excluding transport)	258	£0.5m	£2,000
Payroll	248	£1.0m	£4,100
Pensions	228	£0.8m	£3,400
Procurement	197	£6.2m	£31,300
Debt	142	£0.3m	£2,400
Welfare assistance	103	£0.3m	£3,000
Expenses	75	£0.1m	£1,900
Children's social care	59	£0.8m	£13,800
Manipulation of data	57	na	na
Recruitment	46	£0.2m	£3,700
Economic and voluntary sector support	39	£1.5m	£38,800
School transport	19	£0.2m	£12,300
Investments	0	£0.0m	na
Other	2,768	£4.7m	£1,700
<b>Total</b>	<b>75,212</b>	<b>£336.2m</b>	<b>£4,500</b>

## Appendix 2: Research Methodology

This year's CFaCT results are based on responses from 133 English, Welsh and Scottish local authorities. With this response rate, we are able to calculate an estimated total volume and value of fraud for all local authorities in England, Wales and Scotland.

For all non-responding authorities, missing values are calculated according to the size of the authority. For each type of fraud, an appropriate measure of authority size applicable to that authority has been selected. For example, local authority housing stock is used as the basis for the estimation of housing frauds. From the responses, the number of cases per unit of the size measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value.

As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000, then the total estimated value of fraud for that authority is £1.0m. The figures that are presented in this report are estimated according to this methodology. The 2015/16 estimates have also been restated for the purpose of comparison.



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CITY OF  
WOLVERHAMPTON  
COUNCIL

# Audit and Risk Committee

12 March 2018

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

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## Recommendation for noting:

The Committee is asked to note:

1. The role of the West Midlands Combined Authority's Audit, Risk and Assurance Committee and the reliance the Council's Audit and Risk Committee can place upon the assurance they provide.

## 1.0 Purpose

- 1.1 This report updates the Audit and Risk Committee on the role of the West Midlands Combined Authority's Audit, Risk and Assurance Committee.

## 2.0 Background

- 2.1 The Council has a strategic risk "Maximising benefits from the West Midlands Combined Authority". At the last meeting of the Committee it asked to be updated on the work of the Combined Authority's Audit, Risk and Assurance Committee in order to obtain a degree of assurance over the control framework within the Combined Authority and any impact this may have on the Council in the part it plays in the Combined Authority.
- 2.2 The Combined Authority's Audit, Risk and Assurance Committee is made up of a number of elected members from both its constituent and non-constituent members along with an independent Chair. The membership is:

David Lane – Independent Member (Chair)
Councillor Craig Collingswood – City of Wolverhampton Council (Vice-Chair)
Councillor Sucha Bains – Coventry City Council
Councillor Margaret Bassett – Solihull Metropolitan Borough Council
Councillor Kerrie Carmichael – Sandwell Metropolitan Borough Council
Councillor Keith Chambers – Walsall Metropolitan Borough Council
Councillor Steve Clark – Dudley Metropolitan Borough Council
Sean Farnell – Coventry and Warwickshire LEP
Councillor John Fisher – Redditch Borough Council
Councillor Mariam Khan – Birmingham City Council
Councillor Simon Peuple – Tamworth Borough Council
Councillor Alexander Phillips – Shropshire Council
Councillor June Tandy – Nuneaton and Bedworth Borough Council

- 2.3 The Council's Audit Services also provides the internal audit service to the Combined Authority. They operate within an Internal Audit Charter that is predominantly based on the Public Sector Internal Audit Standards.
- 2.4 The Combined Authority's External Auditors are Grant Thornton.
- 2.5 All of the business, agendas and reports of the Combined Authority's Audit, Risk and Assurance Committee are published on their [website](#) and therefore are publicly available to members of the Council's Audit and Risk Committee.

2.6 At its last meeting held on 19 January 2018 it conducted the following business:

A briefing from the New Director of Finance
External Audit Plan
Internal Audit Update
Strategic Risk Register
Arms Length Companies Checklist
Delivery of Devolution 1 and Devolution 2 Update
Cyber Security Presentation

2.7 The Combined Authority has identified the following as their strategic risks:

Stakeholder and Political Relations
Financial Assumptions of the Devolution Deals
Delivery
Resources
Leadership Team
Commerciality
Reputation
Governance
Information Security
Health and Safety
External Factors

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

3.1 A regular report on any relevant issues dealt with by the West Midlands Combined Authority's Audit, Risk and Assurance Committee, that relates to the assurance the Council can obtain, will continue to be presented to the committee.

### **4.0 Financial implications**

4.1 There are no financial implications arising from the recommendation in this report. (GE/27022018/A)

### **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendation in this report. (TS/23022018/Y)

**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 None

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 12 March 2018
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<b>Report title</b>	Payment Transparency	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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**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 December 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/27022018/E)

## **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendation in this report.  
(TS/23022018/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**

10.1 None

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Audit and Risk Committee</h1> <p>12 March 2018</p>
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<b>Report title</b>	Chartered Institute for Public Finance and Accountancy (CIPFA) Audit Committee Update – Issue 24	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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### Recommendations for noting:

The Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update, Issue 24 – The Audit Committee Role in Risk Management and a Regular Briefing on Current Issues.

## **1.0 Purpose**

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

## **2.0 Background**

- 2.1 The latest edition of these briefings includes the Audit Committee Role in Risk Management and a Regular Briefing on Current Issues.

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

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

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report. (GE/27022018/R)

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. (TS/27022018/Q)

## **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 CIPFA Audit Committee Update – Issue 24**

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

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