

# Audit and Risk Committee

## Minutes - 3 July 2017

### Attendance

#### Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)  
Cllr Christine Mills (Vice-Chair)  
Cllr Harbans Bagri  
Cllr Mary Bateman  
Cllr Jasbir Jaspal  
Cllr Andrew Wynne  
Mike Ager (Independent Members)

#### Employees

Emma Bland	Compliance and Risk Manager - West Midlands Pension Fund
Ian Cotterill	Client Lead Auditor
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Andy Hoare	Head of Services - ICT
Hayley Reid	Senior Auditor
Lesley Roberts	Strategic Director - Housing
Neil Rogerson	Resilience Manager
Alison Shannon	Finance Business Partner
Mark Wilkes	Client Lead Auditor

#### External Auditors – Grant Thornton

Nicola Coombe

---

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

*Item No.*    *Title*

- 1        Apologies for absence**  
Apologies for absence were submitted on behalf of Cllrs Rupinderjit Kaur and Martin Waite.
- 2        Declaration of interests**  
Cllr Mary Bateman declared a non-pecuniary interest in item 9 in so far as she is a Governor of St Albans School.
- 3        Minutes of previous meeting - 13 March 2017**  
Resolved:  
That the minutes of the previous meeting held on 13 March 2017 be approved as a correct record and signed by the Chair.

- 4      **Matters arising**  
**Minute 4 - Matters arising**  
Cllr Andrew Wynne requested confirmation from the Council's external auditors, Grant Thornton that their view on the Council's assumptions in its plans to address the budget deficit still applied. Nicola Coombe from Grant Thornton confirmed that was the case.
- Minute 9 - Strategic Risk Register and Strategic Assurance Map**  
The Democratic Services Officer undertook to check with Alex Jones, Assistant Director School Standards whether a briefing note on the content of correspondence between the Council and the Regional Schools Commissioner concerning Wednesfield School had been issued.
- Minute 14 - Review of Fraud Related Policies and Procedures**  
In response to Cllr Harbans Bagri, Peter Farrow, Head of Audit reported that the rules on employee declarations of interests and action to make employees aware of their responsibilities in this area would be reported in the Counter Fraud report to the Committee in September 2017.
- 5      **External Audit Progress Report and Update**  
Nicola Coombe, Grant Thornton presented an update report on progress in delivering their responsibilities as the Council's external auditor.
- In response to a question from Mike Ager, Independent Member Nicola Coombe confirmed that the answer to the challenge questions the External Auditor had put to the Council's Senior Management team was yes.
- Councillor Jasbir Jaspal requested an update on the current postholder of Director of Finance. It was reported that under the Council's recent Senior Management Restructure, Claire Nye was now the Corporate Director of Finance and with effect from September 2017 Mark Taylor would be taking up the post of Strategic Director People. He was also working part time for the West Midlands Combined Authority as its of Section 151 Officer.
- The Chair commented that he was pleased to see that the External Auditors had received the Council's draft statement of accounts earlier than it had for the 2015/16 audit of accounts. He asked whether the early availability of the draft accounts would cause any issues in terms of completing the audit. Grant Thornton informed the Committee that they wished to have the audit completed in August. If achieved, it would mean that the earlier closedown process for the 2017/18 statement of accounts during July 2018 would be more realistic.
- The Chair also asked for an update on the appointment of the Council's external auditors from 2018. Nicola Coombe reported that she was not aware of the decisions made on the award of the contracts for external auditors across the country or how the appointments would be allocated. Peter Farrow, Head of Audit added that Grant Thornton had been awarded 40% of the contracts, which was the biggest percentage that could be awarded to a single provider.
- Resolved:  
That the report from external auditors Grant Thornton be received and noted.

**6 Draft Statement of Accounts 2016/17**

Emma Bland, Finance Business Partner presented for information, the draft Statement of Accounts for 2016/17 which the Director of Finance had approved and would be subject to audit by the Council's external auditors, Grant Thornton.

In response to questions Emma Bland and Alison Shannon, Finance Business Partners reported that:

- The overall picture the statement of accounts would portray compared to last year's accounts was that the Council was in a good position.
- The Council's capital programme included a housing capital programme scheme and the Council had flexibility and delegated authority arrangements to enable it to respond to risks in relation to its housing stock.
- The increased net pensions liability was not a cause for concern. It related to yields at a point in time. The Council expected it and had built into its Medium Term Financial Strategy.
- The Council was developing proposals to achieve the required additional £20.5 million in savings over the next two years. A report would be submitted to Cabinet containing robust plans to achieve the savings and how they would be monitored.
- The Council's reserves were in a healthy position and comprised £10 million within the General Fund and approximately £60 million in earmarked reserves.
- A note would be circulated to the Committee providing more detail on the £5.1 million fleet services project and to explain whether the Council's total borrowing had increased compared to 2015/16.

Resolved:

1. That it be noted that the Director of Finance approved the Draft Statement of Accounts 2016/17 on 12 June 2017, within the 30 June 2017 deadline set by the Accounts and Audit Regulations 2015.
2. That it be noted that the 2016/17 Draft Statement of Accounts is to be audited by Grant Thornton UK LLP from July through to September, and that any material changes required as a result of the audit will be reported to the Audit and Risk Committee.
3. That it be noted that formal approval by the Council and publication of the 2016/17 Statement of Accounts is required by 30 September 2017 (Accounts and Audit Regulations 2015).
4. That it be noted that the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2015.
5. That a note be circulated to the Committee providing more detail on the £5.1 million fleet services project and to explain whether the Council's total borrowing had increased compared to 2015/16.

**7 Annual Governance Statement 2016/17**

Peter Farrow, Head of Audit presented for review and comment, the Council's Annual Governance Statement for 2016/17 which would be signed by the Leader of the Council and the Managing Director.

In response to a question from Cllr Christine Mills on how closely the Council would be able to work with the office of the recently elected West Midlands Mayor, the Head of Audit reported that it was too early to say. However, the Mayor would have an out posted office within Wolverhampton Civic Centre. The Head of Audit also reported that City of Wolverhampton Council had a strong presence at the West Midlands Combined Authority (CA), with Keith Ireland as its Monitoring Officer and Mark Taylor as the CA's Section 151 Officer. The Chair added that he was the Council's representative on the CA's Audit and Assurance Committee, the Head of Audit also supported the CA and Nicola Coombe was part of the CA's external auditor team, Grant Thornton.

In response to a request from Mike Ager, Independent member, the Chair asked that an update report on the work of the CA Audit and Assurance Committee be included on the agenda for the next meeting. In relation to the review of effectiveness table appended to the Annual Governance Statement, the Chair also commented it was good to note that a lot of the work areas considered by the Committee were featured in the table.

Resolved:

1. That the contents of the Council's Annual Governance Statement for 2016/17 be noted.
2. That an update report on the work of the Combined Authority Audit and Assurance Committee be included on the agenda for the next meeting.

8

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

Hayley Reid, Senior Auditor, gave a brief outline of the report on the key risks the Council faced and how the Committee could gain assurance that the risks are being mitigated. She reported that in light of a recent global cyber attack, recent terror attacks and the tragic fire at Grenfell Tower, London arrangements had been made for the Committee to receive presentations on risk 23 – Cyber Security, risk 26 – Safety concerns around the city's tower blocks, and on resilience and civil protection and risk 15 – Emergency Planning

Andy Hoare, Head of ICT delivered via Powerpoint presentation an update on risk 23 – Cyber Security.

Referring to the RAG status for the risk, Mike Ager, Independent Member commented that the potential existed for this risk to always be rated Red. The Head of ICT agreed but suggested that if the risk was always set at Red you would not be aware if changes in the risk area had occurred as a result of mitigating action. He also explained that the role of NCC was to test the Council's physical vulnerabilities and systems vulnerabilities.

The Chair acknowledged that because of the change in the environment the likelihood of a threat meant that the risk should move to Red status.

In response to a question from Mike Ager, Independent Member, the Head of Audit reported that Audit Services could work with the Head of ICT and look at his plans to see if they are robust and offer an independent review of the action being taken.

Following questions the Chair thanked the Head of ICT for his presentation which members indicated they found very informative.

Lesley Roberts, Strategic Director for Housing delivered the update on risk 26 – Safety concerns around the City's tower blocks.

Members of the Committee commented that it was reassuring to hear from the Strategic Director where City of Wolverhampton stood in terms of the safety of its housing stock. They also commended the early reassurance the Council had given to its tenants. In response to questions the Strategic Director for Housing reported that:

- The Council's Corporate Landlord service was in the process of looking at all student accommodation in the city. The owners of Liberty Heights (student accommodation at Culwell Street) had checked the building and assured the Council that it met required standards. There were some low rise blocks from where students may need to be relocated as a precaution.
- Wolverhampton Homes (WH) had written to the residents of six residential tower blocks with screen type cladding which was not the same as the cladding in Grenfell Tower, London and gave them reassurance about the fire safety measures in place. WH website was updated daily with questions received and answers. WH had also arranged to visit Heath Town and Graiseley with the Fire Service to see if residents had any concerns or queries. The Fire Service had also undertook to perform an operational audit of the visual cladding at Graiseley. The outcome of that work was expected shortly.
- Recently built schools within the City would have had sprinklers installed. The question of whether it was Council policy for all schools to have sprinklers installed would be checked with the Council's Health and Safety Officers team.
- The advice from the Fire Service that in the event of a tower block fire people should remain in their flats until they are asked to leave by the Fire Service was counterintuitive. The advice was based on the design of tower blocks that should compartmentalise a fire to avoid the need for mass evacuation of the building. The Fire Service want to quickly gain access to the tower block and deal with the fire. They do not want to meet people on the stair-well. National advice might be issued in light of the tragic events at Grenfell Tower which the Council would follow.
- The Government had only asked councils to test ACM cladding. The organisations undertaking the testing were inundated and were issuing time slots to test other materials. The Council had requested a time slot and had also asked a private independent organisation to carry tests. WH also had the manufacturers testing that was in place when the cladding was purchased. It was not felt that there was a need to remove all cladding from the Council's housing stock. The exterior cladding at Graiseley did not need to be replaced. In terms of Heath Town it would probably be replaced during the retrofit taking place on the whole of the estate.

Following questions the Chair thanked the Strategic Director for Housing for her report and asked that she present an update to the Committee at the next meeting in September 2017.

Neil Rogerson, Resilience Manager gave a briefing on resilience and civil protection within the City. In response to questions he reported that under Prevent, the types of actions the Council was looking at concerned attacks and security at venues.

Following questions the Chair thanked the Resilience Manager for his report. He also informed the Committee that the update on risk 21 (Transforming Adult Social Care) would be received at the next meeting.

Resolved:

1. That the strategic risk register at Appendix A to the report be noted.
2. That the identification of the following three new risks be noted:
  - Risk 24 – Payment Card Industry Data Standard. Due to a change in regulations the Council does not currently comply with the Payment Card Industry's Data Standards. The Payment Card Industry have been made aware of this and are being kept informed of the steps the Council are taking to comply with the updated standard.
  - Risk 25 – Community Cohesion. To reflect the increased risk of community tensions due to the recent terror attacks in Manchester and London.
  - Risk 26 – Safety concerns around the City's tower blocks, as a result of the recent tragic events at Grenfell Tower in London.
3. That the amendment to the risk description and increase in the risk score for risk 15 – Emergency Planning be noted.
4. That the increase in the risk score for risk 23 – Cyber Security, as a result of the recent world-wide RansomeWare cyber-attack be noted.
5. That the reduction in the assessment of the following risks be noted:
  - Risk 1 – Looked after Children. To reflect the progress made as per the recent Children's Services Ofsted Report and the £1.2m efficiencies from the 2016-17 LAC Placements budget. It is noted there was a slight increase in LAC admissions during 2016-17, although overall the numbers continue to reduce. LAC numbers continue to be closely monitored and target projections have been established for the next three years.
  - Risk 7 – Safeguarding. The reduction in this risk reflects progress made in this area and the steps that have been taken to implement the recommendations made in Ofsted's inspection of the Council's Local Safeguarding Children's Board.
  - Risk 22 – Skills for Work and Economic Inclusion, to reflect the completion of the majority of the Skills and Employment Action Plan and the introduction of Work Box and the Wolves@Work programme.
6. That the main sources of assurance available to the Council against its strategic risks at Appendix B to the report be noted.
7. That it be noted that the update report on risk 21 (Transforming Adult Social Care) and on risk 26 – Safety concerns around the City's tower blocks would be submitted to the next meeting.

9        **Audit and Risk Committee Annual Report 2016/17**

The Chair asked the Committee to endorse the report which summarised the main areas of work undertaken by the Committee during 2016/17. He proposed to take the annual report to Council.

He also informed the Committee that he had asked the Head of Audit together with the Council's external auditors, Grant Thornton to arrange a West Midlands wide audit and risk training event.

Resolved:

That the Audit and Risk Committee Annual Report for 2016/17 be endorsed and referred to Council for approval.

10       **Annual Internal Audit Report 2016/17**

Peter Farrow, Head of Audit summarised the key points of the report which aimed to provide the Committee with an annual Internal Audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

Mike Ager, Independent Member queried the level of assurance given on the audit of the Performance Appraisal Scheme given that four Red recommendations had been made from the Audit work. The Head of Audit reported that the review was a one-off special piece of work at the request of the Council's Strategic Executive Board. The review looked at the framework of the appraisal process and the audit report captured a point of time in relation to completed performance appraisal interviews. Ian Cotterill, Client Lead Auditor also explained that the four Red recommendations would normally result in the report being given a limited assurance opinion. However, at the time of the audit the organisation had a 98% completion rate and therefore it was deemed appropriate to classify the report as satisfactory. The issues raised in the report were risks that could affect the organisation from achieving a high completion rate in the future.

Mike Ager also commented that it was disappointing that so many limited assurance reports had been issued during the year. The Head of Audit explained that a number of them related to schools or were in complex areas. He reported that the number of Limited Assurance reports also demonstrated that the Council had a robust audit plan that was focussed on the areas with most need. The Audit Team also offered independent challenge and opinion to the Council processes.

In response to request for further information on the Payroll Contributions Statements for the West Midlands Pension Fund audit work, the Client Lead Auditor explained that this review related to an audit of the Council returns on the West Midlands Pension Fund.

The Chair commented that he was pleased to see from the report that the Head of Audit had issued an unqualified opinion on the Council's processes and that the recommendations from the audit review reports were being followed up and delivered.

Resolved:

That the contents of the Annual Internal Audit Report and the overall opinion that "based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made

available to the council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes” be noted.

**11 Audit Services - Counter Fraud Update**

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

Referring to the fraud risk register and the Electoral risks, Cllr Harbans Bagri asked how the Council monitored that the person requesting a postal vote was the person who completed the postal vote. The Head of Audit reported that the rules on postal voting were governed by the Electoral Commission. The Audit Team could consider what it could do internally to prevent that type of election fraud. He undertook to make enquiries with the Electoral Services Manager.

Responding to a request for feedback and lessons learned from the immigration identification training, the Client Lead Auditor reported that the Home Office had brought real and fake documents along to raise awareness of types of document abuse and associated criminality including common fraud relating to secure documents. The event was tied into licensing services and the use of a scanner for identification checking.

Cllr Harbans Bagri reported that some licences the Council issued were subject to the applicant undertaking a training course. He asked how the Council monitored that the person attending the training was the same person applying for the licence. The Client Lead Auditor advised that the question of how the Council matched up the person attending the training course with the applicant for the licence would need to be referred to the Council’s Licensing Service.

Resolved:

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

**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 March 2017. Since the last report there had been no requests for information from the public (as an ‘armchair auditor’).

Resolved:

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

**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 paragraph 3 of Schedule 12A of the Act



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

### **14 Audit Investigations Update**

Mark Wilkes, Client Lead Auditor presented the update report on current audit investigations. An action plan arising from the audit investigation discussed at the previous meeting was attached.

In response to a request for an update on any response received from the third party agencies listed in the action plan, the Client Lead Auditor reported that an acknowledgement had been received from HMRC who indicated that issues highlighted would be put through its systems.

Resolved:

1. That the update on the internal audit investigation be noted.
2. That an update on the action plan attached to the report be submitted to the next meeting of the Committee.