

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Sohail Khan (Vice-Chair)
Cllr Obaida Ahmed
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Jasbir Jaspal
Cllr Barbara McGarrity
Mike Ager, Independent Member

Employees

Mike Butler	Waste Service Lead
Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Jan Lycett	Director of Business Support, Wolverhampton Homes
Amanda MacDonald	Client Lead Auditor
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Mark Wilkes	Audit Business Partner

External Auditors – Grant Thornton

Mark Stocks
Nicola Coombe

Part 1 – items open to the press and public

Item No. Title

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Councillor Harbans Bagri and John Humphries, Independent Member.
- 2 Declarations of interests**
The following members of the Committee declared a non pecuniary interest in item 9 (Internal Audit Update – Quarter One) in so far as they are Governors on Boards of the schools indicated:

- Mike Ager, Independent Member - Highfields School.
- Councillor Mary Bateman - Ashmore Park Nursery
- Councillor Philip Bateman MBE - Ashmore Park Nursery
- Councillor Obaida Ahmed - West Park Primary School.

3 **Minutes of previous meeting**

Resolved:

That the minutes of the previous meetings held on 25 June and 23 July 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

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

5 **Annual External Audit Letter**

Mark Stocks from the Council's external auditors, Grant Thornton presented the Annual Audit Letter that summarised the key findings from their work at the Council's subsidiary groups and the West Midlands Pension Fund for the year ending 31 March 2018. He informed the Committee that an unqualified opinion had been issued on the group financial statements and on the Pension Fund and that no statutory powers had been used. An unqualified opinion had also been issued on the Value for Money work. The Committee was also informed that on 23 July 2018 when Grant Thornton reported on the main findings of their audit to the Committee, they did not have the information on issues arising from the audit of the Fund's accounts. The Pension Fund audit was undertaken by a different auditor within Grant Thornton. The external auditor highlighted a couple of issues related to reconciling contributions which led to adjustments to the accounts and controls being strengthened. Changes to the accounts were agreed with the Chair of the Pensions Committee and the Chair of the Audit and Risk Committee. There was no loss to the Council as a result of the adjustments. The changes were financial movements between years. Grant Thornton had discussed with Claire Nye, Director of Finance going forwards that they would change how they work with regards to the Pension Fund audit to ensure when they present the Statement of Accounts to the Audit and Risk Committee there are be no unresolved issues. Grant Thornton concluded by putting the issues highlighted in the Pensions Fund audit in the context of the Fund being a £15 billion business and in the top five of the largest public-sector pensions funds in the country.

Councillor Philip Bateman MBE welcomed the external auditors Annual Audit Letter. He commented that the Pension service was an area the Committee should be concerned about as the value of the issues/adjustments identified throughout the audit of the Pension Fund accounts were not small. He suggested that there was a reputational issue for the Council. He hoped the issues highlighted from the audit were a one-off and that they would not be replicated in the following years audit. He asked whether at some stage the Committee could have an in-depth discussion on the Pension Fund and the way it had been affected by the changes it had gone through during the 2017/2018 financial year.

Grant Thornton reported that the Pensions service had cause little or no problems during the audit of the Fund's accounts in the past and the issues identified during the 2017/2018 audit were all unexpected. He was happy with the way that the Council and the Pensions Fund have responded.

The Director of Finance gave an update on action taken to address the causes of the issues highlighted from the audit of the Pension Fund accounts. She informed the Committee that she was the section 151 Officer for the West Midlands Pension Fund. She had spent time with colleagues at the Fund to see the difficulties they had and discuss how to put them right. There had been huge change in staffing within the Finance team at the Fund, with staff transferring to LGPS Central Ltd. There was huge pressure, with changes in systems and processes and arrangements for the transition to LGPS Central. The team have since drawn up their own self-assessment and action plan. One main issue is they now have a full team in place. If they had been in place earlier, the audit would have gone smoother. The Director of Finance also reported that she would be meeting with the Pensions Finance team every month to offer support and discuss progress. Measures are in place and she did not anticipate the problems reoccurring in the future.

Mike Ager, Independent Member asked how the positive aspects of the audit of the Pension Fund accounts would be communicated to the other local authorities who are members of the Fund. Grant Thornton advised that the Audit Letter is presented to the Pensions Committee which comprised representatives from the seven West Midlands District Councils. The Director of Finance added that the Audit Letter was presented to the Pensions Committee on 5 September 2018. In her capacity as Director of Finance she also met with her counterparts within the West Midlands Councils and would feedback to them regarding the Pension Fund audit.

The Chair added that the West Midlands Pension Fund was also discussed at the West Midlands Combined Authority Audit and Risk Committee.

Referring to the value for money conclusion, particularly the risk area Strategic Asset Management (SAM), Mike Ager, Independent Member asked whether the Strategy, Policy and Action Plan documents had been finalised. The Director of Finance undertook to confirm the position and circulate a note in response.

Further to the value for money conclusion, the Chair asked Grant Thornton what they would be looking for during their audit work on the Civic Halls in 2019. Grant Thornton reported that they would need to understand how the Council responds and manages from this position regarding the costs of the program, any action the Council takes in terms of advisors, and what the project would look like once it was delivered.

Resolved:

That the Annual Audit Letter provided by Grant Thornton be noted.

6

External Audit Progress Report and Sector Update

Nicola Coombe from the Council's external auditors Grant Thornton outlined the salient points from their report on progress made against their audit plan and an update on technical matters, sector issues and developments.

Mike Ager, Independent Member asked how the Committee should answer the questions posed by the external auditor in the report. Claire Nye, Director of Finance reported that the questions were designed to start a discussion at the meeting. Regarding the question on the CIPFA Consultation and plans to provide an authoritative measure of local authority financial index, she confirmed that the Council, through the Cabinet Member for Resources had responded to the consultation. The Leader of the Council had been briefed on the response. In

summary, the Council response recognised why CIPFA was proposing to introduce the financial resilience index, but the Council had concerns on the outputs of the proposal. It was considered that the introduction of a league table approach in isolation would not be helpful and would be a distraction in terms of what the Council was trying to achieve.

Councillor Philip Bateman MBE welcomed that the sector update report was highlighting the state of local government finance. He went on to ask for an update on the business rates pilot, and the expansion of business rates pilots and whether there was a feeling that this was a good idea. The Director of Finance reported that the Council was still participating in the business rates pilot and work was taking place to analyse its impact over the last 12 months. Going forward the picture was not clear. The Government was working towards local authorities being able to retain 75% of the growth in income raised through business rates from 2020/2021. This was all linked to their Fair Funding Review that was expected in the autumn. As it stands, there was no clarity on what would happen regarding those councils who are part of the 100% pilot. Regarding the Secretary of States invite for more councils to apply for new pilots, there had been a positive response, but it was too early to assess the impact and it would take time to understand.

Grant Thornton added that councils want to put their destiny in their own hands and that was why there has been an increase in the number applying for pilots.

Councillor Bateman MBE went on to ask about maintained nursery school funding. There was uncertainty as to what would happen after 2020 when current funding ended. The Director of Finance reported that generally education funding was in the same place as Fair Funding in so far as it had been pushed back by the government. The Council was awaiting the government's response.

Resolved:

That the Progress Report and Sector Update provided by Grant Thornton be noted.

7 **Capital Projects Lessons Learnt - Progress Update**

Peter Farrow, Head of Audit presented the update report on progress made in implementing the lessons learnt recommendations made in the Markets Relocation, 'Wolverhampton Interchange (Train Station)' and 'Civic Halls Refurbishment' reports that were presented to the Committee on 25 June 2018.

Councillor Barbara McGarrity asked when the Committee would be able to visit the Civic Halls site. Ian Cotterill, Audit Business Partner reported that he would speak to the new Programme Manager to progress a visit.

The Chair asked the Audit Business Partner whether he had detected any improvement in the way capital projects are managed. He was informed that in terms of the Civic Halls Refurbishment, more detailed information was provided to senior management; regular updates were being made to the Project Management System; and there was more accurate reporting regarding the status of the programme.

The Chair asked whether the Council was any closer to knowing the cost to refurbish the Civic Halls. The Audit Business Partner reported that there were still surveys to be completed. Once completed there would be information to make an informed

decision on the scope of the refurbishment and cost of the programme. On the question of when the surveys would all be complete, the Audit Business Partner undertook to contact the Programme Manager to invite him to attend the next meeting of the Committee to respond to the Committee's questions.

The Chair also asked when the Civic Halls building had been initially closed for the refurbishment works. Claire Nye, Director of Finance reported that there was ongoing work and that the building had been closed and reopened for a Grand Slam Darts event and then closed again.

Councillor Mary Bateman asked how long it should take to remove the asbestos at the Civic Halls. The Director of Finance undertook to provide an update at the next meeting. Councillor Sohail Khan also asked whether there was any update on action to be taken against contractors/advisors on the programme. It was agreed that the Civic Halls Refurbishment Programme Manager be invited to the next meeting to respond to these questions and provide an update on the programme.

The Chair asked the Head of Audit whether he had been approached to provide audit assurance on other projects. The Head of Audit confirmed his team had been contacted and that Audit Services was now represented on a number of project programme boards to provide assurance and avoid some of the issues that had arisen in the past.

Resolved:

1. That the progress made in implementing the lessons learnt recommendations in respect of the three capital projects that were reported to the Council's Audit and Risk Committee on 25 June 2018 be noted.
2. That the Civic Halls Refurbishment Programme Manager be invited to the next meeting of the Committee to provide an update on the programme with a particular focus on the implementation of the recommendations.
3. That a site visit to the Civic Halls be arranged for members of the Committee.

8 **Strategic Risk Register and Risk Assurance Map**

Mike Butler, Lead Officer, Waste was in attendance to discuss risk 32 – Waste Management Services. He gave an update on action being taken to manage the risk. In doing so he reported that the budget for the service was £12.05 million and there were agreed mechanisms to deliver the service to the budget.

Councillor Mary Bateman commented that she had visited the proposed waste recycling super-site and had a one-to-one discussion with employees on the plans. She was impressed with the amount of effort and diligence that had gone into bringing the waste service in house. She informed the Committee that she had received assurance that the proposed changes to the waste and recycling service would be phased in and that bins would be emptied effectively and efficiently. She suggested that every member of the Council should visit the site because the service would impact on all wards.

In response to questions and comments the Lead Officer Waste reported that:

- The mechanisms to deliver the changes to the household waste and recycling collections involved approximately 40 council employees from across the organisation. A phased approach was being taken on the move to alternate

week collections for general waste and that he was confident the Council had the right plans to deliver the changes to the service.

- The super waste and recycling site was still in the early stages, but Councillors could see the vision for the new site.
- The garden waste collection service would end in February 2019 when a 42-week subscription garden waste service would commence. There would be an annual charge of £35 and £17.50 for concessions. Other options would be available to residents, for example home composting or they could take the garden waste to a recycling centre where the Council would take it off them for free.
- Staff transferred from the previous contractor to the Council under their existing contract terms. The 170-staff who transferred to the Council are working well. Where the Council proposes to introduce changes to terms and conditions staff would be consulted.
- On the delivery of large bins when the fortnightly general waste collection commences, the Council suggest that whilst 60% of residents have two or less bins they could use their 140-litre bin. If residents feel they need a larger bin there was a garden waste bin they already own and they could let the Council know which one they intend to use for their general waste through the aid of a sticker to be issued to households.
- The food waste caddy service was costly and not successful. The Council therefore decided to terminate the service. As part of the Council's Waste Strategy it is aware of the amount of food waste in the general waste. The Council needs to affect what goes into the waste collection vehicles before it is put into the waste bins.
- There would be a communication strategy to residents regarding recycling their 140-litre bin for household waste.
- Next year the Council would have a program to drive recycling to 50% by March 2020. The Council would engage with all communities to help them address the problems that are preventing them from recycling more of their waste.
- Regarding commercial waste, there are 6500 businesses in the city, 2000 of which are the Council's customers. The Council does not work with the larger organisations because they are on national contracts. The Council provides a service to the vast majority of the city's schools and small businesses.
- Collection of garden waste is not a statutory service. If households do not wish to pay to have their garden waste collected by the Council, they could home compost or take it to their local recycling centre. If they want the Council to collect the garden waste, they would have to pay the annual or concessionary charge.
- An education programme for residents regarding recycling and the correct use of bins would be undertaken.

Hayley Reid, Senior Auditor presented the rest of the report on the key risks the Council faced and how the Committee could gain assurance that the risks were being mitigated.

Councillor Philip Bateman MBE commented that in twelve months' seven of the city's-maintained nursery schools might lose their government funding. He queried why this was not considered a risk for inclusion in the School Improvement risk. The Senior Auditor reported that she had met with the School Improvement Officer who felt that it was not a risk that needed to be included in the strategic risk register at this moment but would revisit this at their next meeting.

The Chair asked for an update on the transfer of the Council's Emergency Planning and Business Continuity functions to West Midlands Fire and Rescue Authority (Risk 8 - Business Continuity). The Senior Auditor reported that the transfer was still going ahead but a date had yet to be set for when it would happen. Currently the Emergency Planning and Business Continuity functions were still being managed in house. An audit review of the area was scheduled in the Audit Plan at the end of the financial year.

Resolved:

1. That the latest summary of the Council's strategic risk register at appendix 1 to the report be noted.
2. That the change in the target date for risk 24 - Maximising Benefits from West Midlands Combined Authority (WMCA), to take into account the ongoing work reviewing the arrangements in place to ensure the Council capitalises on opportunities from WMCA be noted.
3. That the main sources of assurance available to the Council against its strategic risks at appendix 2 to the report be noted.
4. That an appropriate officer be invited to the next meeting to report on funding for the Council's maintained nurseries.

9 **Internal Audit Update - Quarter One**

Peter Farrow, Head of Audit presented the key points from the report on progress made against the 2018/2019 internal audit plan and on recently completed work.

The Chair asked how many schools Audit Services visited during a year. The Head of Audit reported that the service tried to visit between 15 to 20 schools per year. Some years more visits were held, particularly when a Head Teacher approached the service for support.

Councillor Obaida Ahmed noted the feedback from the training sessions for the implementation of General Data Protection Regulations (GDPR). She asked about action being taken in response to the feedback to raise employees awareness of the legislative framework they work to. The Head of Audit reported that the message from the audit was that more work on raising awareness was required. Audit Services would follow up on the implementation of the recommendations from the audit before the end of 2018/2019.

The Chair asked the Head of Audit if he was happy that the audit plan for 2018/2019 would be completed. The Head of Audit said that it would be tight, but his team would keep on top of the programme and for now they were on schedule.

Resolved:

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

10 **Internal Audit Charter - Annual Review**

Peter Farrow, Head of Audit presented for review and approval the internal Audit Charter. No changes had been made to the document since it was last reviewed in September 2017.

The Chair informed the Committee that he had recently been interviewed as part of a Peer Review. He asked the Head of Audit whether there was any update from the exercise. The Head of Audit said that the interview was in connection with an external assessment of the Council's audit function, conducted by Solihull Metropolitan Borough Council's Head of Audit Services. Verbal feedback had been received from the Peer Review and they were working on a draft report. It was hoped that the report would be available for the next meeting of the Committee.

Resolved:

That the Internal Audit Charter be approved.

11 **Audit Services - Counter Fraud**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services. He also informed the Committee that a new series of the BBC's 'Council House Crackdown' was being broadcast. Three cases involving the work of Wolverhampton Homes and the Council's Counter Fraud team would feature in the series.

The Chair asked what types of business rates fraud the National Fraud Office was seeking to tackle or detect through the Business Rates Pilot. The Audit Business Partner said that small business rate relief and business rates avoidance were areas of concern they were seeking to tackle.

Resolved:

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

12 **Payment Transparency**

Peter Farrow, Head of Audit presented the report on the Council's payment transparency activity. Since the last report to the Committee no requests had been received for information from the public (armchair auditor requests).

Resolved:

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

13 **Wolverhampton Homes - Assurance from the Audit and Service Delivery Committee**

Further to the request at the last meeting, Peter Farrow, Head of Audit presented a report on the role of Wolverhampton Homes (WH) Audit and Service Delivery Committee.

Mike Ager, Independent Member asked whether the audit reports issued to WH over the last year had all received a satisfactory level of assurance. The Head of Audit reported that there had been limited assurance reports issued but overall an unqualified opinion had been given to WH on the adequacy and effectiveness of its governance, risk management and internal control processes.

Referring to WH latest strategic risk register, Councillor Philip Bateman MBE asked whether WH was involved in any other businesses where they had separate arrangements. Jan Lycett, Director of Business Support, Wolverhampton Homes reported that anything WH did was in partnership or through contractual arrangements and were included in its internal audit plan.

The Chair asked whether WH's risk register contained any red rated risks, and if so was there any adverse impact on the Council. The Director of Business Support reported that there were none.

Referring to the risk 'Health and Safety', the Chair asked whether staff from Health and Safety had transferred from WH to the City Council. The Director of Business Support reported that the staff had transferred, however the health and safety risk in the register was more about WHs' wider obligation to its employees.

On the key risk 'fire safety', Councillor Mary Bateman asked whether sprinklers would be installed in the city's high-rise blocks. By way of reassurance, the Director of Business Support reported that none of the city's high-rise blocks contained the cladding associated with the fire at Grenfell Tower, London. She added that there was a political will within the Council to install sprinklers in high-rise blocks.

Resolved:

That the role of the Wolverhampton Homes Audit and Service Delivery Committee and the reliance the Council's Audit and Risk Committee can place upon the assurance they provide be noted.