

## Attendance

### Members of the Audit and Risk Committee

Cllr Jaspreet Jaspal (Chair)  
Cllr Mary Bateman (Vice-Chair)  
Cllr Paul Appleby  
Cllr Philip Bateman MBE  
Cllr Jeszemma Howl  
Cllr Barbara McGarrity QN  
Cllr Andrew McNeil

### Employees

Fabrica Hastings	Democratic Services Officer
Ian Cotterill	Head of Internal Audit
Claire Nye	Director of Finance
David Pattison	Chief Operating Officer
Reeta Rattu	Finance Manager
Alison Shannon	Deputy Director Finance
Jacob Stokes	Democratic Services Officer

### In Attendance

Kirsty Lees	Grant Thornton
Grant Patterson	Grant Thornton
Alexa Ngini	Grant Thornton
Andrew Smith	Grant Thornton

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

*Item No.*    *Title*

- 1 Apologies for absence**  
Apologies were received from Councillor Claire Darke.
- 2 Declaration of interests**  
Councillor Phillip Bateman declared an interest in matters relating to Birmingham International Airport, Ashmore Park and Phoenix Park Nursery School. Councillor Mary Bateman declared an interest in matters relating to Ashmore Park and Phoenix Park Nursery School.
- 3 Minutes of previous meeting**  
It was noted that no risks from the Strategic Risk Register were called into the previous meeting, Councillor Jaspreet Jaspal advised that the four Housing related

risks would be called into the meeting scheduled for 4 March 2024. She advised that the high unemployment risk data was circulated by email to members of the Committee.

In response to a question raised by Councillor Barbra McGarrity regarding the update on the referrals to MASH and staffing. Councillor Jaspreet Jaspal advised this would be looked into.

That the minutes of the previous meeting held on 27 November 2023 be approved as a correct record.

4 **Matters arising**

In response to a question raised by Councillor Philip Bateman regarding RAAC within the private sector. David Pattison, Chief Operating Officer advised that information from The Royal Institute of Chartered Surveyors, was sent to members of the Committee and he would send members further information if required.

He advised on the recent internal audit report that provided satisfactory assurance, in relation to how the Council manages RAAC. He advised that the internal audit report would be presented to the Committee in March and will include, the relevant links to RICS guidance to ensure full transparency.

5 **Annual Auditors Report**

Alexa Nigni, Grant Thornton, presented the Annual Auditors Report.

Grant Thornton raised four improvement recommendations and identified no significant weaknesses.

The Committee were advised that Grant Thornton measure values for money against three metrics;

- Financial sustainability
- Governance
- Improving economy efficiency and effectiveness.

Grant Thornton raised two improvement recommendations in relation to financial sustainability, that were updates to previous recommendations rather than new recommendations. In relation to the robustness of the medium-term position and clarity around savings reporting.

The Council had strong financial performance for 2022-2023 finishing the year within budget with £1.7 Million contribution to general reserves. The Council was able to maintain its 5% net revenue expenditure reserves balance.

At present the Council's forecasting £1 Million overspend on the general fund revenue budget, primarily driven by pressures within Children's Services, Residents and temporary accommodation. Grant Thornton advised they have confidence in the Councils arrangements to mitigate the position.

The Council has a strong history of savings delivery, and it was noted that progress was made since the last reporting period.

Grant Thornton advised on the level of risk relating to the medium-term position and advised that the Council has a sensible level of reserves and provides room to make difficult financial decisions in the future.

Overall, the Council has appropriate governance arrangements in place, Grant Thornton made one improvement recommendation relating to external assessment for compliance with public sector internal audit standards. The Council had appropriate risk management arrangements and an effective internal audit service in place.

Grant Thornton advised there were effective audit committee arrangements in place, demonstrated with by high level of compliance with CIPFA's latest guidance.

Overall, the Council has a strong culture in place regarding reporting on KPI's, strong and effective procurement in place but Grant Thornton made an improvement recommendation encouraging greater reporting of procurement indicators at Committee or Cabinet level.

Grant Thornton continues to see that the Council has appropriate arrangements in place to protect its interest in the Civic Halls, with regards to the ongoing legal proceedings.

As the Council is the administering authority for the West Midlands Pension Fund, Grant Thornton concluded there were appropriate arrangements in place for 2022-2023.

In response to questions raised by Councillor Andrew McNeil, Claire Nye, Director of Finance advised that the quarterly reports and appendices table on the savings detail the savings delivery by service area. Grant Thornton recommended specific financial numbers be added that would be implemented with immediate effect. Savings allocations to specific service lines would be addressed in the budget process.

In response to a question raised by Councillor Andrew McNeil regarding the PSIAS standards. The Head of Internal Audit advised that the Council was currently exploring options for the procurement of an external assessment of the Council's PSIAS self-assessment. It was hoped that this would be completed in time for inclusion in the Annual Governance Statement.

In response to a question raised by Councillor Barbara McGarrity regarding the Council's savings delivery. Grant Thornton provided members with an overview of the context of savings delivery highlighted within the report. Claire Nye, Director of Finance advised the Council does all it can to ensure the savings and processes are robust, deliverable and when they are built into the budget. Through annual monitoring, the Council flag any pressures identified within the quarterly reports presented to Cabinet and Scrutiny Board. As part of the Council's budget setting process the budget is adjusted accordingly if savings are no longer a robust assumption. The amount referred are relatively small in the context of the overall budget.

In response to a question raised by Councillor Jaspreet Jaspal regarding the procurement improvement recommendations. Grant Thornton advised that there is an increased focus on ensuring that Councillors have oversight of procurement

function activities. The Director of Finance advised the Council was developing a set of KPI's in relation to procurement, completed a self- assessment with a positive outcome, working with government agencies to peer review that assessment ahead of the changes in regulations. She advised that exceptions have reduced over the years and are highlighted to Cabinet Resources Panel on a monthly basis. Trends and data KPI's developed for procurement, that are presented to the procurement panel would be included to future reports for members to see the direction of travel. Identifying which KPI's are either strategic or operational.

In response to a number of questions raised by Councillor Paul Appleby regarding the recommendations identified, short-term / medium-term pressures and recurring savings. The Director of Finance advised on the ongoing work to find ways to balance the medium-term, rather than one year at a time, but that over time the Council had recurring savings that reduced the gap. She advised the Committee that the recommendations had been implemented, however, the Council would ensure they are fully aware of the expectations of Grant Thornton, ensuring the Council are meeting the expected requirements. A progress update could be presented to the Committee at an appropriate point time during the year.

David Pattison, Chief Operating Officer advised the Committee on the challenging financial environment due to short term settlements resulting in it being difficult to plan in the long-term. The Council are looking at number of efficiency options to reduce costs such as Artificial Intelligence and value for money on contracts.

Grant Thornton advised the Committee on what they would be doing as part of their value for money work. They would be looking to engage the authority on different aspects of income generation, such as the maximisation of fees and charges. Also, treasury management in terms of maximising the income return on working capital. Grant Thornton advised that the Council completes an exercise when completing the budget to ensure it aligns to the Our City, Our Plan, providing a foundation for the medium-term financial plan.

The Chief Operating Officer advised monitoring is done on a quarterly basis in terms of the budget, performance and strategic risks, against the Our City, Our Plan and is also benchmarked against other Local Authorities to look at the immediate and future impacts.

Resolved:

1. That the Annual Auditors Report be noted.

## 6 **Audit Findings Report – West Midlands Pension Fund**

Grant Patterson, Grant Thornton, presented the Audit Findings Report – West Midlands Pension Fund.

The Committee were provided with an overview of the governance and delegation at the West Midlands Pension Fund.

Grant Thornton advised they were substantially complete on the Pension Fund audit and were undertaking some final checks. An audit opinion would be issued by Grant Thornton following the completion of the City of Wolverhampton's accounts.

Grant Thornton identified a difference in reporting in the Pension Fund accounts, compared to the final capital statement of investment management, over £29 Million.

In context, this is considered immaterial when the funds total assets are valued at approximately £19 Billion.

Two adjustments were identified in the Fund account and in the asset statements around an overvaluation of an asset related to the ITA Pension Fund around £13 Million of the insurance buy-in. There was an error relating to an asset clarification that was adjusted and did not affect the overall net asset within the Fund.

Two material disclosure amendments were identified including an error in respect of direct property and classification issues, resulting in around £400 Million in adjustments.

The Pension Fund published the draft annual report in November, Grant Thornton would provide a consistency opinion following the issuing of the Council's audit opinion.

The Pension Fund did issue its draft annual report in accordance with the required statutory deadlines.

Resolved:

1. That the Audit Findings Report – West Midlands Pension Fund be noted.

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### **Audit Findings Report – City of Wolverhampton Council**

Andrew Smith and Kirsty Lees, Grant Thornton, presented the Audit Findings Report – City of Wolverhampton Council.

Andrew Smith introduced himself to the Committee as the audit engagement lead for the Council following Jon Roberts retirement. He advised that the audit was close to completion and would be signed off soon. He advised that Grant Thornton would be proposing an unmodified audit opinion on the 2022-2023 accounts and recognised the errors and recommendations identified. He acknowledged that it was a very positive report and thanked the work undertaken by Claire Nye, Director of Finance and her team to assist the audit process.

Kirsty Lees provided the Committee with an overview of the detail identified within the report. She advised on some areas of the work outstanding including two adjustments with no impact to the Council's bottom line. Two unadjusted misstatements were deemed to be immaterial, some disclosure issues and two new recommendations.

The outstanding areas including management override where a small number of journal accounting entries are still to be tested. In addition, work is outstanding around the Council's property valuation including land and buildings. Grant Thornton were in the process of following up some queries with an auditor expert for property valuations.

Grant Thornton were also in the process of completing the work on the net pension liability. The review of auditor's component working papers for Wolverhampton Homes Ltd accounts were audited and submitted in December 2023. Grant Thornton were not anticipating any issues arising from their review, but hadn't yet conducted the review.

Grant Thornton reported on a significant deficiency in the Councils IT control environment, where a select number of staff have access multiple areas of the Council's general ledger system which creates a segregation of duties conflict. However, it is acknowledged the Council has provided a detailed response in respect of this.

Two new recommendations were made this year including one low level recommendation relating to bank reconciliation and the other recommendation is around the segregation of duties conflict.

Two adjusted misstatements including a recategorization of expenditure on the face of the comprehensive income expenditure statements, this does not impact the on the bottom line, it is just moving it between categories. The second is writing out the gross book values and the accumulated depreciation balances of some vehicle assets, this does not impact on the primary statements, it only affects the notes.

Unadjusted misstatements including areas identified within the West Midlands Pension Fund accounts relating to the value in pension assets, which impact on the Council's accounts. The second relates to the valuation of an asset, however this is still subject to discussion with the finance team so is not final.

David Pattison, Chief Operating Officer advised the Committee on the IT deficiency risk. He advised on the current arrangements and the long-term goals to manage the risk including implementing improvements to the system with the software supplier (Unit 4) to deal with the issues relating to IT deficiency. He provided members with assurance that Internal Audit will be conducting a detailed analysis and advised that the Head of Digital and IT would be attending the next meeting to provide assurance on actions taken.

In response to a question raised by Councillor Jaspreet Jaspal regarding the building overvaluation. Grant Thornton advised the building that was overvalued was the Civic Halls.

Resolved:

1. That the Audit Findings Report – City of Wolverhampton Council be approved.
2. That the management's proposed treatment of all items recorded within the table in Appendix D be approved.
3. That the management letter of representation as presented in Appendix G be approved.

## 8 **2022-2023 Statement of Accounts**

Claire Nye, Director of Finance presented the 2022-2023 Statement of Accounts report.

The draft statement of accounts was presented to the Committee in September 2023, and since then Committee members had attended training sessions, to enable them to understand the key information within the statements.

The statement of accounts are kept up to date to recognise any adjustments required as part of the audit. All of the West Midlands Pension Fund adjustments were updated. There was a range of adjustments made to the Council accounts, that were agreed and would be adjusted in due course.

The report seeks approval to delegated authority to the Chair of the Committee and the Section 151 Officer to complete the final management letter of representation and sign off of the final statement of accounts, in a timely manner once the audit is completed, and seek the Committees approval to publish the final accounts.

The Chair of the Committee thanked the Section 151 Officer for the report. The Vice-Chair of the Committee seconded the Chair of the Committee.

Members of the Committee thanked the Director of Finance and wished her good luck in the future.

The Director of Finance thanked members of the Committee for their comments and thanked the Finance team.

Resolved:

1. That the 2022-2023 Statement of Accounts be approved.