

# Audit and Risk Committee

## Minutes - 14 December 2015

### Attendance

#### Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)  
Cllr Christine Mills (Vice-Chair)  
Cllr Harbans Bagri  
Cllr Philip Bateman  
Cllr Jasbir Jaspal  
Cllr Stephen Simkins  
Mike Ager (Independent member)  
Terry Day (Independent member)

#### Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Narinder Phagura	Strategic Risk Manager
Mark Taylor	Director of Finance
Mark Wilkes	Client Lead Auditor

#### External Auditors

Richard Vialard	PricewaterhouseCoopers
Mark Stocks	Grant Thornton
David Roper	Grant Thornton

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## 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 Keith Inston and Patricia Patten.

2            **Declaration of interests**  
Mike Ager, Independent Member declared a personal interest in any items on the agenda relating to Coppice Community School, in so far as he is a Governor at the School.

Cllr Jasbir Jaspal declared a personal interest in any items on the agenda relating to the Pensions Committee, in so far as she is the Chair of the Committee.

Cllr Phil Bateman declared a personal interest in any items on the agenda relating to Ashmore Park Nursery or public transport.

3 **Minutes of the previous meeting (21 September 2015)**

Resolved:

That subject to the inclusion of 'Cllr Craig Collingswood (Chair)' in the list of members present, the minutes of the meeting held on 21 September 2015 be approved as a correct record and signed by the Chair.

4 **Matters arising**

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

5 **Annual Audit letter**

Richard Vialard from the Council's external auditors PricewaterhouseCoopers' (PwC) presented their final annual audit which summarised the results of their 2014/15 audit of the Council's accounts. The provisional conclusions that PwC had reached and presented to the Committee on 21 September 2015 were unchanged. He briefly recapped on those areas. In concluding Richard Vialard thanked the Committee and the Council's employees, particularly Mark Taylor, Director of Finance for the support they had afforded PwC during its time as the Council's external auditors.

Mike Ager, Independent Member commented that the Audit Letter highlighted the risks the Council faced in terms of its reserves and Medium Term Financial Strategy. He indicated that the Committee would continue to review these areas in the coming years.

Cllr Craig Collingswood (Chair) asked how the transition to the Council's new external auditors Grant Thornton was progressing. Mark Stocks from Grant Thornton advised that the hand over with PwC was progressing well and he explained the hand over process as agreed by the Audit Commission. He also thanked PwC for their assistance during that process.

Cllr Phil Bateman asked for an update on the Council's response to PwC's recommendation relating the 'Completeness of Related Party Declarations'. He and other members of the Committee expressed their disappointment that information requested and the questions raised at the last meeting had not been responded to. Peter Farrow, Head of Audit informed the Committee that the new Interim Democratic Services Manager would be producing a report on action taken/proposed in response to the external auditor's recommendation. The Chair also informed the Committee of action he had taken since the last meeting to ensure that a report was presented. He indicated that he was disappointed that the report was not yet available. However, he had been assured that the report would be available for the next meeting. He undertook to write to the Director of Governance stressing the importance for the Committee to have, at the earliest opportunity, a report on the action he had/intended to take in response to PwC's recommendation on 'Completeness of Related Party Declarations'.

In response to a question from the Chair, the Director of Finance confirmed that the Council was fully on board with the Auditor's other recommendations and they were in progress of being implemented.

Resolved:

That the Annual Audit Letter from PwC be noted.

6 **Grant Thornton Audit Committee update**

The Committee welcomed Mark Stocks, Engagement Manager and Dave Roper, Assistant Manager from Grant Thornton, the Council's new external auditors. The Committee was informed that Nicola Coombe, Audit Manager from Grant Thornton would be the main manager on the audit of the Council's accounts.

Mark Stocks reported on: progress in delivering Grant Thornton's responsibilities as the Council's external auditors; a summary of emerging national issues and developments that may be relevant to the Committee; challenge questions in respect of emerging issues which might be of interest to the Committee; and useful material that could be found on their website.

Cllr Phil Bateman queried whether information from Grant Thornton's Business Location Index would cover just the city Council area or a wider area, for example in order to capture the benefits to the city of Jaguar Land Rover (JLR). Mark Stocks advised that it would be possible to produce two reports, one covering the city and the other including the JLR in South Staffs. In response to other comments on the Business Link Index he advised that a seminar could be arranged, that pulled together the type of information the Committee was requesting. The Chair commented that any information in a meaningful format would be helpful.

The Chair also asked whether the three challenge questions in Grant Thornton's presentation had been actioned. Mark Taylor, Director of Finance confirmed that a briefing note had been produced on the Chancellor's 'Devolution revolution' announcement and a report would be submitted to Full Council in January 2016; regarding the Government's New Homes announcement, the Council had put in a bid for the New Homes Fund which had been successful. A report would be submitted to the Cabinet (Resources) Panel in January 2016; the Council had also submitted a response to the Government's council tax collection consultation. In addition the Council had worked with a forum that had submitted a response on the Council's behalf. He indicated that he would engage with councillors on the consultation and responses and hold a seminar. The Director of Finance also responded to a question on business rates and grant funding to the Council.

At the end of the discussion the Chair thanked Grant Thornton for their report and indicated that he looked forward to working with them.

Resolved:

That the report from Grant Thornton be noted.

7 **Strategic risk register and strategic assurance map**

Narinder Phagura, Strategic Risk Manager, presented a report on the key risks the Council faced and how it could gain assurance that these risks are being mitigated.

Cllr Stephen Simkins asked how the role of the Combined Authority fitted into skills for work (risk 2) and the Council's aspirations in this area; and whether recommendations were made to the Scrutiny Board/Panels to undertake a more in-depth examination of how strategic risk areas are being mitigated. Together with other members of the Committee he also noted that a number of the strategic risk target dates were 2017. They expressed a need for more detail on what was planned to address the risks during 2016 and queried whether anything could be

done to bring forward any of the 2017 target dates. The Strategic Risk Manager advised that some of the strategic risks were long term issues. They had not remained static over the last twelve months. Activity was taking place on them and they continued to be managed and monitored in accordance with risk management action plans in place for each risk. The work taking place and the report on the risks was to move them on over the next twelve months. The Strategic Risk Manager also reported that the strategic risk register was submitted to Scrutiny Board on a quarterly basis. The Board could therefore use the register to inform its work programme and that of its scrutiny panels.

The Chair welcomed the comments made and added that the Committee had done a lot of good work on risk management. He hoped that the way the information on risk was presented could be reviewed in light of the Committee's comments. He also informed the Committee of the plan to change the name of the Committee to Audit and Risk Committee to reflect the importance the Committee placed on the role of risk management in its work.

During the discussion on the strategic risk register, Mike Ager, Independent Member commented that the risk 'Looked After Children' should continue to be a high priority for the Council and the Committee.

Keren Jones, Service Director City Economy, was in attendance and presented an update on the progress being made to address strategic risk 2 'Skills for Work'.

In response to the Committee's questions, the Service Director City Economy reported that:

- In terms of the response from the city's schools to improving young peoples' soft skills so they are ready for work, the approach from the city Council's Director of Education was to identify and work with some pioneering schools in this area in order to demonstrate the benefits to schools and their pupils.
- In terms of mentoring, a lot of the city's businesses want to work with schools to deliver interactive and intensive mentoring programmes.
- Programmes exist to provide opportunities for older people considering a change in career path in later life. There are programmes for any person above 25 years of age.
- A lot of the findings and recommendations that the Skills and Employment Scrutiny Review wanted to happen are being delivered and the challenge is to co-ordinate and scale up the activity in order to realise greater benefits.
- There was a range of performance measures to determine the effectiveness of all the activity taking place on the skills for work agenda. The top level measure is the employment rate, which was measured annually. Other performance measures are be wages and qualifications
- Considerable progress is being made in attracting external funding to support the skills for work agenda. There was a good partnership and commitment to undertake this work.
- Involvement of secondary schools, including those out of the local authority's control, would be key in the partnership work on the interventions in the Commission's report. The Director of Education's approach was to initially focus on the schools that he could quickly take with him on the new relationship.

At the end of the discussion the Chair asked the Committee whether it wished to select one of the red risk areas for discussion at the next meeting. It was suggested that the Director of Education be invited to attend the next meeting to provide an update on the school improvement risks he leads and also update the Committee on the work that is taking place around skills in schools that contribute to the 'skills for work' strategic risk.

Resolved:

1. That the strategic risk register be noted.
2. That the reduction in the assessment of the following risks be noted:
  - Risk 1 - Looked after Children
  - Risk 11 - Care Act
  - Risk 12 - Better Care Fund
  - Risk 19 - Combined Authority
3. That the closure of risk 19—Combined Authority, from the strategic risk register be noted. Any residual risks would continue to be managed through the programme risk register.
4. That the closure of risk 11 - Care Act, subject to agreement by the Programme Board to close the programme and transfer any residual risks to the 'Transforming Adult Social Care' programme be noted.
5. That the identification of a new risk - risk 19a in relation to the proposed devolution deal be noted.
6. That the progress made by the Council in the management of its strategic risk as detailed in paragraph 3.1 of the report be noted.
7. That the main sources of assurance available to the Council against its strategic risks be noted.
8. That a report on risks managed by the Director of Education that touch upon education, training and skills be submitted to the next meeting.

## 8 **Internal Audit update - quarter two**

Peter Farrow, Head of Audit presented a report on progress made against the 2015/16 audit plan and on recent audit work that had been completed.

Cllr Stephen Simkins asked whether the lessons learned from the audit work on the Young People Supported Living (YMCA) Contract Arrangement had been incorporated into the council's contract arrangements so as to ensure that the weaknesses identified from the audit review are not repeated. The Head of Audit undertook to clarify whether the Procurement Manger had been copied into the audit report on this item and if not to forward to him a copy.

The Chair asked about the audit work on the Agresso system. The Head of Audit reported that a draft report had been produced following a piece of work on the benefits realisation of the Agresso system. Feedback would be included in the quarter three internal audit update report to Committee in March 2016.

The Head of Audit also reported that, in addition to the previously reported name change of the Committee to Audit and Risk Committee, Insurance and Health and Safety now came within the Audit remit under the banner of 'Corporate Assurance'. Therefore in future he would be bringing a further report that would provide another level of assurance relating to insurance and health and safety.

Cllr Stephen Simkins welcomed the changes and suggested that the time might now be right for the Committee to review its terms of reference. The Head of Audit confirmed that the Committee would be reviewing its terms of reference at the next meeting in March 2016.

Resolved:

That the contents of the latest internal audit update as at 30 September 2015 (quarter two) be noted.

9 **CIPFA Audit Committee update - issue 18**

The Committee received, for information, the latest of regular briefings issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for audit committee members in public sector bodies.

Peter Farrow, Head of Audit explained that CIPFA had asked local authorities not to publish their Audit Committee Updates on publicly available websites, as they should only be available to subscriber local authorities. The CIPFA update had therefore been circulated to members of the Committee direct.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 18 – helping audit committees to be effective be received and noted.

10 **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. He informed the Committee that a technical glitch had temporarily prevented the publication of the information. Mark Wilkes, Client Lead Auditor advised the Committee that the problem had now been resolved.

Cllr Stephen Simkins expressed his concern that because some of the expenditure information was not redacted, it could be used by companies to gain an unfair advantage when bidding for contracts.

Resolved:

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

11 **Audit Services - counter fraud update at November 2015**

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

In response to questions the Client Lead Auditor explained that, in relation to the National Fraud Initiative exercise during January 2015, the value for 'waiting list to housing tenants', related to a recognised figure of the cost attributed to housing a

family. He also reported that the fraud awareness seminars for Council employees had been well attended with good participation from attendees.

Resolved:

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

12 **Budget update and review**

Mark Taylor, Director of Finance presented the update report on the Council's finances that referenced reports approved by Cabinet and Cabinet (Resources) Panel on the Council's treasury management activity and monitoring; fees and charges review for 2016/17; the revenue budget 2015/16; and the draft budget for 2016/17.

The Committee noted that the Council's financial position would become clearer in the next few weeks once it received its Local Government Financial Settlement for 2016/17. The Committee also noted an update from the Director of Finance on the impact on the Council's finances arising from the Chancellor of the Exchequer's Autumn Statement. The full impact was not yet known as the detail on aspects of the Chancellor's announcement were still awaited.

Resolved:

That the arrangements for ensuring adequate identification and management of budget risks, and budget planning and forecasting for future years be noted.

13 **Annual Governance Statement - action plan update**

Peter Farrow, Head of Audit presented the report on progress made in addressing key improvement areas identified in the 2014/15 Annual Governance Statement action plan. A further update on progress made against the actions identified in the 2014/15 Annual Governance Statement would be reported to the Committee when it reviewed the draft Statement for 2015/16.

The Chair noted that some of the key performance areas had been included in the Governance Statements for a while. He asked whether any of them would be closed off. The Head of Audit reported that some would be closed off as soon as they could, while in addition, some would evolve and others, like 'savings target' would reappear year on year.

Referring to the key risk, Combined Authority (CA), Cllr Phil Bateman commented that the issue of how the establishment of the West Midlands CA would affect the finances of the city council would need to be closely monitored as well as the way the CA develops and operates in relation to the city council.

Mike Ager, Independent Member asked whether the systematic review of Governance arrangements with partner organisations would be completed by March 2016, as it might be of interest for the Committee to review the findings. Mark Taylor, Director of Finance reported that the review related to partnership organisations that had been running for many years. The Head of Audit undertook to speak to the Director of Governance to determine whether he could produce his own assurance map on this area.

Referring to the Corporate Peer Challenge and the finding from the peer review that 'partnership working in Wolverhampton is a real strength to be built on', Cllr Phil Bateman commented that it would be interesting to see how this would be tested by the Council's new external auditors, Grant Thornton. He suggested that a fresh look at the performance area take place to determine if it was as strong as the peer challenge concluded.

Resolved:

That the progress made in addressing the key improvements areas identified in the 2014/15 Annual Governance Statement action plan be noted.

14 **Audit Committee - results of the recent self-assessment of good practice and effectiveness exercise**

Peter Farrow, Head of Audit thanked members of the Committee for completing the self-assessment of good practice and effectiveness checklist. He fed back on some of the results from the exercise and explained how he proposed to take forward the feedback and responses received. He also informed the Committee that the second of a three stage review process of the performance and effectiveness of the Committee would be presented to the next meeting.

Resolved:

That the results of the recent self-assessment of good practice and effectiveness exercise and the plan to move on to the next stage of the process be noted.

15 **Exclusion of 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**

16 **Audit investigations update**

Mark Wilkes, Client Lead Auditor presented the update report on current audit investigations.

Cllr Stephen Simkins suggested that a note be circulated to all employees of the Council about the personal use of council computer equipment. He was advised that the matter would be covered in the Council's policy on personal use of council information technology equipment.

Resolved:

That the current position with regard to audit investigations be noted.