

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

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 Data 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

[NOT PROTECTIVELY MARKED]

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.