

## 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 Jasbir Jaspal  
Cllr Andrew Wynne  
Mike Ager (Independent Member)  
John Humphries (Independent Member)

### Employees

Emma Bland	Finance Business Partner
Dereck Francis	Democratic Services Officer
Peter Farrow	Head of Audit
Nathan Hazlehurst	Prevent and Cohesion Officer
Paul Lakin	Head of City Development
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Mark Wilkes	Audit Business Partner

### External Auditors – Grant Thornton

Mark Stocks  
Nicola Coombe

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

*Item No. Title*

- 1 Apologies for absence**  
An apology for absence was submitted on behalf of Councillor Martin Waite.
- 2 Declaration of interests**  
No declarations of interests were made.
- 3 Minutes of previous meeting - 11 December 2017**  
Resolved:  
That the minutes of the previous meeting held on 11 December 2017 be approved as a correct record and signed by the Chair.
- 4 Matters arising**  
Minute 6 (Annual Audit Letter and Grant Certification Work) - Claire Nye, Director of Finance reported on arrangements the Council had put in place to action the external

auditors' recommendation regarding monitoring of the funding from the Devolution Deal and the economic growth and any risks this brings to the Council. A team was looking at the Devolution Deal and considering opportunities available from being part of the West Midlands Combined Authority and how the Council would tap into those benefits and opportunities. On the same minute regarding the outcome of the additional internal testing carried out around the housing benefit claim, the Director of Finance reported that two new reports had been built in to identify or prevent errors. These reports were now part of the general housekeeping activity.

Minute 7 (Strategic Risk Register and Strategic Assurance Map and Risk 29 Fire Safety - Public Buildings) - Hayley Reid, Senior Auditor reported that the Council's Private Sector Housing team had responsibility for ensuring private sector landlords carry out necessary works on their properties. It was not felt necessary to include a specific item in the risk register for this area. The position would be reconsidered if the situation changed.

Minute 8 (Internal Audit Update-Quarter Two) - Peter Farrow, Head of Audit reported that a follow up visit had taken place to St Patrick's Primary School to review progress on the implementation of the agreed audit recommendations and he would report back to the next meeting.

Minute 14 (Audit Investigations Update) - the Head of Audit reported that the Council's Monitoring Officer had issued a reminder to Council employees regarding the need for them to register their interests and to keep them up-to-date.

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### **External Audit Plan**

Mark Stocks from the Council's external auditors, Grant Thornton highlighted the key points from the report on their audit plans for the Council for the year ended 31 March 2018.

Referring to the area of work 'Net Pension Liability' included within the audit plan, Councillor Philip Bateman MBE said that he was keen to understand the implications of the collapse of Carillion for the Council and particularly schools. Mark Stocks reported that a lot of companies would have invested in Carillion. The impact would be felt in the construction industry and in facilities management. It would take time to see what happens as a result of the company's collapse.

The Chair asked the external auditors whether there were any areas of concern from their audit work to date. Grant Thornton reported that there were some accounting treatments they were working on with the Council's employees but there were no concerns or issues flagging up. The biggest change had been the new statutory deadline of 31 July 2018 for approval and publication of the audit of the Statement of Accounts for 2017/2018 with the audit opinion. The Council had robust arrangements and whilst the accelerated financial closure arrangements were tight, they were positive that the Council would meet the earlier deadline.

Claire Nye, Director of Finance added that detailed plans were in place and she was comfortable that the Council would meet the 31 July deadline.

Resolved:

That the Audit Plan 2017/2018 from the Council's external auditors, Grant Thornton be noted.

6 **External Audit Communication**

Mark Stocks from the Council's external auditors, Grant Thornton presented the paper 'Informing the Audit Risk Assessment'. It set out some of the potential areas of risk for the external audit together with a management response to a series of questions posed by the auditors. The views of the Committee were invited on the management responses.

Referring to the management response to the auditors' question on 'how the Council encourages staff to report their concerns about fraud', Councillor Philip Bateman MBE asked whether the Council's internet site, which allowed for online reporting of fraud was as visible as it ought to be. The Chair reported that he was confident in that respect. Whilst there was always more that could be done, he was proud of the website reporting access. Peter Farrow, Head of Audit reported that Mark Wilkes, Audit Business Partner had done a lot work on the digital platforms and other electronic routes for reporting fraud. The Council was particularly strong in this area. Councillor Bateman MBE went on to suggest that, as fraud was a key issue, the Communications team be asked to produce an article on the Council's fraud related policies, highlighting the digital channels and other areas for reporting fraud. The Chair commented that he regularly ensured that press releases were issued and there was media coverage of the Committee's meetings. He also participated in radio and media interviews relating to the Council's work on fraud. He would continue to try and maintain a high profile on the Committee's fraud related and wider audit work. The Head of Audit undertook to check whether it was possible to include the details on the digital platforms and electronic routes for reporting fraud alongside of the details that go out in the council tax letters.

Resolved:

That the report of the external auditors, Grant Thornton be noted.

7 **Strategic Risk Register and Strategic Assurance Map**

Paul Lakin, Head of City Development was in attendance to discuss risk 9 - City Centre Regeneration. He gave an update on action being taken to manage risks across the City Centre Regeneration programme and to address the potential for delayed delivery and cost overrun.

Councillor Christine Mills reported that she was impressed with the redevelopment of the Mander Centre but would welcome more movement on the number of retailers located in the Centre. The Head of City Development commented that there was a national problem in the retail sector with most retailers trying to consolidate their commercial stock.

Councillor Philip Bateman MBE commented that a lot of the concerns regarding the retail sector were not within the gift of the Council to resolve. The issue for him was measuring and understanding what was happening with the foot fall in the city.

The Chair reported that he was encouraged by the regeneration activity taking place. He asked whether hotel accommodation was something being looked at. The Head of City Development reported that a piece of work had been undertaken to establish where the demand points were. The city's hotel accommodation market was not huge but there was a gap at the higher end of the market.

Nathan Hazlehurst, Prevent and Cohesion Officer was also in attendance to report on action being taken to address risk 26 - Community Cohesion. The risk had been transferred to a directorate risk register. He explained the work of the Council in terms of monitoring and responding to community cohesion issues.

In response to questions about the level of attendance at Community Cohesion Forum meetings and any areas of weakness across the city, the Prevent and Cohesion Officer reported that the forum meetings were well attended and that there was more work to do on the Forum's engagement with young people. He also reported that there were different community cohesion issues across the city but overall cohesion was good. An independent review had ranked City of Wolverhampton as the third most integrated place in the UK.

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 Christine Mills requested more information and risk 31- City of Wolverhampton College. The Senior Auditor reported that Cabinet had approved work to support the College. Positive discussions had taken place and it was hoped that the risk would be reduced by the time of the next risk register report to the Committee.

Councillor Philip Bateman MBE commented that a big issue for the Council was the ability to move around Wolverhampton and the rest of the conurbation. The deteriorating condition of the highway, the costs to the Council in maintenance, upkeep and insurance claims; the Council's ability to keep up-to-date with highways security all affected your ability to get around the city and the conurbation. He asked if consideration had been given to whether there was a risk to the city's economy from a deteriorating road network.

The Chair also asked when the Committee would receive the findings from the lessons learned review on risk 30 - Civic Halls. Peter Farrow, Head of Audit reported that the completed review report would be referred to the Council's Strategic Executive Board (SEB) then onto Cabinet and thereafter to the Audit and Risk Committee. The Chair asked that if finalised, that it be presented to the next meeting and a member of SEB be invited to attend.

Referring to the same risk, John Humphreys, Independent Member asked whether any information was available from the full risk assessment workshop on 7 February 2018. The Senior Auditor reported that it would be presented to the next meeting with the risk register.

Resolved:

1. That the Strategic Risk Register as at Appendix 1 to the report be noted.
2. That the identification of two new risks be noted:
  - Risk 30 – Civic Halls, due to the issues surrounding the refurbishment of the Civic Halls.
  - Risk 31 – City of Wolverhampton College, as a result of the Council not agreeing a Memorandum of Understanding with the College.

3. That the increase in the risk scores for risk 8 – Business Continuity Management and risk 15 – Emergency Planning due to staffing changes within the Resilience Team be noted.
4. That the amendment of the risk description and the reduction in the assessment for risk 14 – School Improvement to reflect that; 95% (58 out of 61 maintained schools) are now at good or above. Standards within academies will covered by a separate risk where appropriate be noted.
5. That it be noted that the Council have considered the implications of the insolvency of Carillion PLC, it has been decided that no new risks require inclusion in the strategic risk register at this time. However, details of the effect on existing risks are included in appendix 1 where appropriate. The Council will continue to monitor the situation and any new risks or changes to the assessment of current risks will be reported to future Audit and Risk Committee meetings.
6. That the main sources of assurance available to the Council against its strategic risks at Appendix 2 be noted.

#### 8 **Internal Audit Update - Quarter Three**

Peter Farrow, Head of Audit presented the key points from the report on progress made against the 2017-2018 internal audit plan and on recently completed work. He informed the Committee that it would receive the Internal Audit Annual Report 2017-2018 at a future meeting.

Responding to questions the Head of Audit reported that from the arrangements described to him, he had received assurance that the issues highlighted in the Outdoor Public Events audit would be addressed. The Council had successfully run outdoor events, but it was clear from the audit work that there needed to be a consistent approach across the Council on how outdoor events were arranged. Regarding the Woodthorne Primary School audit work, this had been an elongated process of working with the school to address the findings from audit work. The Audit Team would continue to support the school to seek the improvements.

Resolved:

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

#### 9 **Internal Audit Plan 2018-2019**

Peter Farrow, Head of Audit presented for review and approval the proposed internal audit plan for 2018-2019. Responding to questions the Head of Audit explained the issues that would come into consideration when determining the priority order for the audit work. He was confident that he had the resources to deliver the plan.

Councillor Philip Bateman MBE reported that the rating given to the proposed audit work on 'city economy' and 'transport capital programme prioritisation' supported his concerns about the economic impact of the transportation network. Focusing only on what was happening within the city's boundaries presented a false picture. An example of this was a decision made by South Staffs Council to withdraw a bus service. This would impact on the ability of South Staffs' residents to access parts of the City of Wolverhampton which would have a knock on effect on the city's economy.

The Head of Audit reported that he would look to incorporate consideration given to neighbouring areas and the issues raised on the economic impact of the transportation network.

Resolved:

That the risk based internal audit plan for 2018-2019 be approved.

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### **Review of Fraud Related Policies and Procedures**

Mark Wilkes, Audit Business Partner presented for review and approval three of the Council's fraud related policies and procedures. No major changes were being proposed to these policies that were last approved in 2017. However, due to changes in legislation, the Anti-Money Laundering policy was being updated. The proposed revised document would be presented to a future meeting for approval.

Responding to questions, the Audit Business Partner reported that previously the powers of investigation the Council had in relation to its Anti-Fraud and Corruption policy had been more implied than explicit. It was now the latter in the policy. Regarding the key changes to the Council's money laundering policy, particularly relating to Right to Buy and housing benefits payments, in the past the Council could rely on third party assessments on the source of payments made by an individual. This had now changed and where the Council had any concerns on where funds came from, it was required to undertake more rigorous checks on payments.

Resolved:

That the following Council fraud related policies and procedures be approved:

- Anti-fraud and corruption policy and procedure
- Whistleblowing policy and procedure
- Raising fraud awareness guide

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### **Audit Services - Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services.

Councillor Philip Bateman MBE commented that the key survey results from the Chartered Institute for Public Finance and Accountancy's (CIPFA's) Annual Fraud and Corruption Tracker report 2017 were reassuring for Wolverhampton. The number and value of fraud cases detected for 2016/2017 were down on the previous year's figures. This showed the value of the counter fraud work carried out by the Council's Audit Services.

The Chair added that he was proud of the Council's proactive approach towards tackling fraud and he commended the Audit Business Partner and his colleagues on their work. He also welcomed the reduction in the number and value of tenancy fraud cases detected in the city but suggested that the figures were still too high.

Peter Farrow, Head of Audit acknowledged that there was always room for improvement and reported that the value of the fraud figures were based on a national average cost to house a family for a year. The main issue would remain was to make the processes as robust as possible to stop the opportunity for fraud.

In response to the Chair, the Audit Business Partner confirmed that there were no audit investigation updates to report to the Committee on this occasion.

Resolved:

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

12 **West Midlands Combined Authority - Assurance**

Peter Farrow, Head of Audit presented the report on the role and work of the West Midlands Combined Authority's (CA's) Audit, Risk and Assurance Committee. In accordance with a previous request of the Committee, a report on any relevant issues dealt with by the CA's Audit, Risk and Assurance Committee, that related to the assurance the Council could obtain, would be included on the agenda for future meetings.

The Chair reported that the Council's external auditors, Grant Thornton in partnership with the Council would be holding a Midlands Audit Committee Forum on 15 March 2018 at Wolverhampton Art Gallery. David Lane, Independent Chair of the CA Audit, Risk and Assurance Committee would be a guest speaker.

Resolved:

That the role of the West Midlands Combined Authority's Audit, Risk and Assurance Committee and the reliance the Council's Audit and Risk Committee can place upon the assurance they provide be noted.

13 **Payment Transparency**

Peter Farrow, Head of Audit presented the report on the latest position on the Council's payment transparency activity. Since the last report to the Committee in December 2017 there had been no requests 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.

14 **CIPFA Audit Committee Update - Issue 24**

The Committee received the latest edition of regular briefings issued by the Chartered Institute for Public Finance and Accountancy (CIPFA) for audit committee members of public bodies. The focus of the update was the contribution the audit committees could make to supporting good audit risk management practice. Amongst other points, the update posed five key questions concerning risk management that audit committee members should ask themselves. Hayley Reid, Senior Auditor gave a brief response on the Council's position in respect of the five key questions.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 24 – The Audit Committee Role in Risk Management and a Regular Briefing on Current Issues be noted.

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**Vote of thanks**

The Chair thanked members, employees and the Council's external auditors for their attendance and participation in meetings of the Committee during the 2017/2018 Municipal Year. He informed the Committee that Councillor Christine Mills who would not be seeking re-election at the 2018 Local Government elections. He thanked her for her valued contributions to the work of the Committee and wished her well for the future.

Councillor Philip Bateman MBE thanked Councillor Craig Collingswood for the way he had chaired the Committee during the year. He also paid tribute to Councillor Christine Mills of whom he said would be missed at the Committee as well as on the Council.