

Attendance

Members of the Audit and Risk Committee

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

Employees

| | |
|----------------|---------------------------------|
| Emma Bland | Finance Business Partner |
| Ian Cotterill | Audit Business Partner |
| Peter Farrow | Head of Audit |
| Dereck Francis | Democratic Services Officer |
| Kate Martin | Service Director - City Housing |
| Claire Nye | Director of Finance |
| Hayley Reid | Senior Auditor |
| Alison Shannon | Chief Accountant |
| 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**
No apologies for absence were received for the meeting.
- 2 Declaration of interests**
Mike Ager, Independent Member, declared a non-pecuniary interest in item 6 (Draft Statement of Accounts 2017-2018) in so far as it refers to Highfields School where he is a Governor.

3 **Minutes of previous meeting - 12 March 2018**

Resolved:

That the minutes of the previous meeting held on 12 March 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

Members of the Committee asked when reports requested for today's meeting as well as the standard business reports would be presented. Peter Farrow, Head of Audit reported that the outstanding issues and other standard business items would be considered at the meeting on 23 July. Today's meeting had been specifically arranged to consider the Council's Draft Statement of Accounts as part of the process for completion of the external audit. The special meeting on 25 June was to consider reports from lessons learnt reviews in respect of the Civic Halls Refurbishment, Markets Relocation and Interchange (Train Station) projects/programmes.

With reference to Minute 6 (External Audit Communication), the Head of Audit reported that Mark Wilkes, Audit Business Partner was undertaking work on the digital platforms and electronic routes for reporting fraud. An update on this work and on the suggestion to include details of these routes with the council tax letters, would be contained in the Counter Fraud Update report to be submitted to the meeting on 23 July.

5 **External Audit Progress Report and Update**

Nicola Coombe from the Council's external auditors Grant Thornton presented the report on progress made since the last meeting against their audit plan and on technical matters and developments. She informed the Committee that the audit of the Council's Statement of Accounts 2017/2018 commenced today. One key change to the process was the early deadline of July for completion of the external audit. With the Council's Finance team, the external auditors had endeavoured to complete as much work as possible in preparation for the audit. The findings of the interim audit work and their impact on the accounts were summarised within the external auditors reports. There were no issues of concern to report.

The sector update within the external auditors' reports contained challenge questions to the Director of Finance and the Council. Mike Ager, Independent Member asked how the Council responded to these questions. Claire Nye, Director of Finance reported that in general terms she would review the questions and provide a response.

Councillor Philip Bateman MBE commented that the sector update set out the difficulties local authorities faced, and it was right that update opened with a statement to that effect. He argued that it needed to be recognised that if local authorities are not managed correctly they could follow the financial predicament of Northamptonshire County Council. The role of the Audit and Risk Committee was important, particularly in providing challenge to ensure the Council obtained the best results going forward on its policy direction.

In response to questions, Grant Thornton explained the interim audit work on 'journal entry controls' and substantive testing on employee remuneration. The Director of Finance also explained how the Council had managed the introduction of General Data Protection Regulations. Performance in this area was reported to the Cabinet (Performance Management) Panel.

Resolved:

That the progress report and update provided by Grant Thornton be noted.

6 Draft Statement of Accounts 2017-2018

Claire Nye, Director of Finance presented the Council's approved draft Statement of Accounts for 2017-2018, which were subject to audit. The final accounts would be submitted to the meeting on 23 July, subject to any changes from the external audit. For the information of the Committee, particularly the new members, the Director of Finance gave an overview on the following suggested key areas of focus within the draft accounts:

- The accounts for the previous year including group accounts i.e. Wolverhampton Homes.
- The General Fund and Housing Revenue Account.
- The balance sheet showing the assets, liabilities, reserves and supporting notes.
- Used and unused reserves.
- The movement in reserves statement.
- Provisions, contingent liabilities and guarantees.

Councillor Philip Bateman MBE asked for more information on the £30.7 million underspend against the capital programme during 2017 – 2018. He commented that the underspend was a large proportion of the programme to not have been achieved. The money could have had a whole range of implications for the city. He also asked whether there was any penalty with the underspend and where the underspend compared with the position over the last five years.

The Director of Finance reported that slippage sometimes occurred on projects but in general financial terms the Council had not lost any grants as a result of the underspend. A report on the Council's capital programme with a detailed breakdown by projects would be submitted to Cabinet in July 2018. The capital programme report would need to monitor the impacts of the delay of completing capital projects. It was important that the Council spent its capital resources for the reasons intended in order to deliver the outcomes. It was also important that expenditure on capital projects was correctly phased. A Project Assurance Group had been established and a Capital Projects Member Reference Group had also been established to look at major capital projects. The Director of Finance undertook to present to the 23 July meeting the Cabinet report on capital programme monitoring as well as details of the outturn of the Council's capital programme over the last five years.

Mike Ager, Independent Member noted that the remuneration declaration for senior officers showed that several changes had been made to the Council's senior management structure during the year. He suggested that this was a potential risk. The Director of Finance confirmed that a lot of change had taken place which had been managed. Some were minor changes to job titles and roles and others were high level reorganisation.

In response to a question from Councillor Jasbir Jaspal regarding plans for the old College site, the Director of Finance reported that the Council was working on the business case for the City Learning Quarter. Once this was established and agreed the plans for the old College site would become clear.

The Chair asked whether the Council would meet the earlier deadline of July 2018 for the completion of the external audit of the Statement of Accounts and what were the big financial challenges facing the Council over the next 12 months. The Director

of Finance reported that from her perspective she was comfortable that the Council would meet the July deadline. Grant Thornton added that they shared the Director's confidence that the audit would be completed on time. On the question of the big financial challenges facing the Council, the Director of Finance reported that adult social care continued to be a pressure. A paper from Central Government on funding of social care was currently awaited. The £19 million savings target for 2018-2019 was also a financial challenge which the Council faced and plans were being developed to achieve the target.

Resolved:

1. That it be noted that the Director of Finance approved the Draft Statement of Accounts 2017-2018 on 31 May 2018, in accordance with the 31 May 2018 deadline set by the Accounts and Audit Regulations 2015.
2. That it be noted that the 2017-2018 Draft Statement of Accounts is to be audited by Grant Thornton UK LLP from 11 June through to 9 July, and that any material changes required as a result of the audit would be reported to the Audit and Risk Committee on 23 July 2018.
3. That it be noted that formal approval by the Council and publication of the 2017-18 Statement of Accounts is required by 31 July 2018 (Accounts and Audit Regulations 2015).
4. That it be noted that the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit Regulations 2015.

7 **Annual Governance Statement 2017 - 2018**

Peter Farrow, Head of Audit presented for review and comment, the Annual Governance Statement for the 2017-2018. The Council was required under Regulation 6 of the Accounts and Audit Regulations 2015, to produce the Statement to be included in the Annual Statement of Accounts, to be signed by the Leader of the Council and the Managing Director.

Kate Martin, Service Director of Housing, was in attendance for this item and gave a brief overview of the housing related key areas and actions for improvements within the Annual Governance action plan.

Responding to questions regarding risks to the Council of the tenant management organisations (TMOs) not carrying out works to the properties they manage on behalf of the Council and managing concerns about the performance of TMO Boards. The Service Director of Housing reported that under Housing (Right to Manage) Regulations 1994, TMOs answered to their Board. Since they managed the housing stock on behalf of the Council responsibility ultimately rested with the Council. If the Council had concerns regarding the performance of a TMO board, there was a process for resolving concerns or disputes. Limited resources were in place to undertake the level of program monitoring proposed. Once all of the audit reviews are complete the Service Director would assess the position. Cabinet had already agreed resources to support Bushbury Estate Management Boards.

Mike Ager, Independent Member commented that he believed this was the first time the Committee had received this level of detail on housing issues. Peter Farrow, Head of Audit reported that Wolverhampton Homes prepared its own assurance

statements that fed into the Council's Annual Governance Statement. If there are any significant issues regarding Wolverhampton Homes processes they would be fed into the Council's Annual Governance Statement.

Councillor Philip Bateman MBE asked the Head of Audit if he was confident arrangements were in place to ensure the Committee received sufficient notice on housing concerns, and how the Committee would receive information on housing matters. The Head of Audit reported that information would be presented in the strategic risk register report and performance of Wolverhampton Homes and the TMOs was monitored by the Cabinet (Performance Management) Panel. The Council also had elected representatives on Wolverhampton Homes Board.

Grant Thornton added that the Council was the parent company of Wolverhampton Homes and the TMOs and it should not feel disempowered. It could ask for audit work or information on controls in place.

Councillor Philip Bateman MBE also referred to recent analysis from the Local Government Association (LGA) which concluded that councils' ability to replace homes sold under Right to Buy (RTB) would be all but eliminated within five years without major reform of the scheme. Against the background of the LGA report he asked how robust the Council's resources were to continue to move forwards in replacing homes sold under RTB. He asked for a report on the position in the short to medium term. It was agreed that the Service Director of Housing report back to the Committee on this issue.

Resolved:

1. That the contents of the Council's Annual Governance Statement for 2017-2018 be received and noted.
2. That the Service Director of Housing submit to a future meeting a report on the Council's ability to replace homes sold under Right to Buy in the short to medium term.

8 **Annual Internal Audit Report 2017-2018**

Peter Farrow, Head of Audit presented the report that provided the Committee with an annual internal audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

During the discussion on the report, John Humphries, Independent Member reported that the audit review 'Vetting of Foster Carers' was particularly pertinent in light of the Supreme Court judgement in the legal case Armes -v- Nottinghamshire County Council, where the Council was held to be legally liable for harm/injury to a looked after child caused by the foster carer during their placement. He asked whether the risk had moved in profile on the Council's risk register. Hayley Reid, Senior Auditor reported that it was included in the Corporate risk register. The Head of Audit added that the report containing the findings from the audit work had been considered by the Council's Strategic Executive Board and the Leader of the Council. Audit Services had worked with Looked After Childrens' Service and there was confidence that the issues highlighted from the review were being addressed. There was a clear process in place to ensure that the Council viewed assessment forms on externally recruited foster carers with whom it placed looked after children.

The Head of Audit explained the background to audit review 'St Patrick's Primary School' and gave an update on progress with the implementation of the agreed recommendations. The vast majority had been actioned by the new Head Teacher. The Head of Audit also explained the cyclical programme of Audit Services visits to schools. Where requests were made for earlier visits or revisits, the programme would be rescheduled to facilitate that.

Councillor Obaida Ahmed asked whether the background details to the audit reviews listed in the report could be made available to the Committee. The Head of Audit explained that the report before the Committee was a summary of the audit work carried out during 2017/2018. If members wished to receive any of the individual detailed audit reports he invited them to contact him direct.

Responding to questions from the Chair, the Head of Audit confirmed that the Head Teacher at Stow Heath Primary School had approached Audit Services to undertake the audit. The Head of Audit also commented on his team's performance against the indicator 'time to complete audit reports'. He explained that there are occasionally unforeseen issues which take time to resolve. However, he would monitor the position and make sure his team are aware of the need to turnaround audit reports within target. He also confirmed that he had the resources to complete the audit plan.

Resolved:

That the contents of the Annual Internal Audit Report and the overall opinion that "based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes" be noted.