

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 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
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Martyn Sargeant	Head of Public Service Reform
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**
Apologies for absence were submitted on behalf of Councillor Jasbir Jaspal.
- 2 Declaration of interests**
Councillors Obaida Ahmed, Mary Bateman and Philip Bateman MBE all declared non pecuniary interests in item 9 (Internal Audit Plan 2019 - 2020) in so far as they of governors of schools referred to in the report.
- 3 Minutes of previous meeting - 10 December 2018**
Resolved:
That the minutes of the previous meeting held on 10 December 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to minute 6 (Capital Projects Lessons Learnt – Progress Update) members of the Committee asked follow-up questions on the Civic Halls Refurbishment Programme namely: the availability of the results from the various survey works; the budget and contingency sum for the programme; the budget provision to address the structural integrity of the building; whether the Council should seek a second opinion on the foundations and structure of the Civic Halls buildings; the provision of sprinklers; timescales; and the proposed design.

In response Peter Farrow, Head of Audit, reported that a detailed update report on the Civic Halls Improvement and Restoration Programme had been presented to Cabinet (Resources) Panel on 5 March 2019. He undertook to check whether the survey results were contained within that report. Ian Cotterill, Audit Business Partner added that the surveys were complete and the Council was in a better place in terms of establishing the risks to the building. Regarding the budget for the programme, no specific budget had been set aside for the treatment of asbestos. The costs for this work were covered in the budget for the pre work to the buildings. In the Cabinet (Resources) Panel report the budget for the overall project had been recast. It was £38.1 million with a £3 million contingency sum. Claire Nye, Director of Finance added that the £3 million contingency figure was fixed and that she had sought assurances from the Programme Director and Bob Hide, Independent Advisor that it was in line with industry standards. The costs for the structural integrity of the building had also been quantified and were included in the budget for the programme. The Cabinet (Resources) Panel report also set out the timescale and proposed refurbishment design. The programme had now moved into the next phase of the construction so the issues raised by the Committee will/ would have been considered. The Director undertook to feed back to the Committee later in the year to provide information about the anticipated date for completion of the detailed design including the provision for sprinklers.

The Chair reported that from the update his view was that the Committee should trust that the project was on track, on budget and that all the issues raised by the Committee had been dealt with unless flagged as otherwise. The question on the provision of sprinklers had also been raised and would continue to be raised. On that basis he suggested that employees and the project team concentrate on delivering the next phase of the project but that the Committee should maintain a watching brief.

With reference to minute 10 (Strategic Risk Register and Strategic Assurance Map), Councillor Barbara McGarrity asked who within the Council was monitoring the costs and number of childcare placements. The Director of Finance reported that Emma Bennett, Director of Children's Services and employees from the Finance team monitored the placements on an ongoing basis. They also looked at the regional picture for child care placements.

5 **Strategic Risk Register and Strategic Assurance Map**

Martyn Sargeant, Head of Public Service Reform was in attendance for this item. He gave a brief overview of the significant activity the Council was engaged in up to senior management level regarding risk 35 - Brexit.

Councillor Philip Bateman MBE referred to the still pending transfer of the Council's emergency planning function to the West Midlands Fire Service, the state of flux with the proposals for the West Midlands Fire and Rescue Service function to transfer to the Mayor for the West Midlands Combined Authority, and the general uncertainty of Brexit. He said with all this uncertainty he was concerned that the Council did not have in place robust emergency planning arrangements in response to Brexit. The Head of Public Service Reform reported that he did not oversee resilience for the Council. However, his experience over the last few months was that the Council had a team working in resilience that was stable and settled. They were fully on top of the business continuity side, supported by the local and regional networks. The regional lead for Brexit was the Council's previous Resilience Manager, so the Council had close links with regional and local activity. The Council's resilience function was in a good place and was able to cope with the impacts of Brexit.

Councillor Philip Bateman MBE asked who would be responsible for emergency planning/resilience when the Council's Emergency Planning team transferred to the West Midlands Fire and Rescue Service. Hayley Reid, Senior Auditor reported that the plan was for the team to transfer but the responsibility for the function would remain with the Council's directors.

Councillor Obaida Ahmed sought clarification on the allocation of funding the Council had received from government for Brexit. The Head of Public Service Reform reported that the Council had received government funding of £210,000 for Brexit. The West Midlands Council's and the West Midlands Combined Authority had agreed to allocate 50% of their government funding to create a pot of £1 million to address issues business would have with Brexit. The Councils and the Combined Authority would do a lot more regionally than they could if they each spent their individual government funding.

The Chair observed that risk 8 - Business Continuity had increased to red due to issues around Brexit. He asked if the issue was not resolved soon would the risk remain at red. The Head of Public Service Reform clarified that risk was regularly reviewed and whilst the level of uncertainty remained high it would be difficult to reduce the risk to amber. The Senior Auditor agreed that the risk would remain at red for the medium term.

The Chair asked how often the risk rating was monitored. The Senior Auditor said that the Council was reacting to events on a daily basis and the picture would not settle until the national picture became clearer.

The Chair asked whether the government funding for Brexit was enough. The Head of Public Service Reform reported that the government had put aside a pot which had been allocated. He believed it was a token amount to ensure initial costs are recovered.

The Senior Auditor then took the Committee through the remainder of the report on the key risks the Council faced and how the Committee could gain assurance that the risks were being mitigated.

Mike Ager, Independent Member said he was surprised that adult social care was not mentioned in the risk on the Medium Term Financial Strategy (MTFS). Claire Nye, Director of Finance reported that it was a significant part of the Council's budget. As a budget item and as a pressure it was embedded in the Council's MTFS. Mike Ager added that his point concerned more than financial aspects, it included the physical arrangements that should be in place. The Senior Auditor reported that there was a separate risk register within Adults Services and it would be reviewed in line with the query raised before the next meeting.

Resolved:

1. That the latest summary of the Council's strategic risk register as at appendix 1 to the report be noted.
2. That it be noted that risk number 8 - Business Continuity Management had been temporarily increased to red in order to reflect the continuing uncertainties regarding Brexit.
3. That it be noted that risk number 23 - Cyber Security had been increased to reflect the developing nature of cyber-attacks and be 'called-in' for a more detailed review at the next meeting.
4. That it be noted that as the target score for risk 14 – School Improvement had been achieved and 96% of maintained schools are now at good or above, this risk had been archived and transferred to the relevant directorate risk register.
5. That the change to the target date for the reduction of risk 29 – Fire Safety, Public Buildings in order to allow time for a new compliance structure to be put in place be noted.
6. That it be noted that while no particular incidents have taken place, following a re-assessment risk 27 regarding safety concerns around the City's tower blocks has been increased, and the title of the risk updated to City assurance of response and compliance with the requirements of National Building Safety Programme, Grenfell Inquiry Report Recommendations and MHCLG Building Regulation Guidance Advice Notice(s).
7. That the reduction in the score for risk 32 - Waste Management as the majority of service changes have now been implemented be noted.
8. That the reduction in the score for risk 34 as work is now underway on the Interchange Programme (Train Station) be noted.
9. That the main sources of assurance available to the Council against its strategic risks at Appendix 2 to the report be noted.

6 **Certification Work for City of Wolverhampton Council for the Year Ended 31 March 2018**

Nicola Coombe from the Council's external auditors Grant Thornton presented the findings from their grant certification work on the Council's housing benefit subsidy claim, which they undertook on behalf of the Department for Work and Pensions (DWP). The only issue identified from the certification work had resulted in the claim being qualified.

Members of the Committee observed that the value of the qualification (£15,709) against a claim of £102 million was small and not material. In response to a question Nicola Coombe explained that the concept of materiality did not apply to this piece of work as it would within the audit of the Council's Statement of Accounts. As they undertake the grant certification work on behalf of the DWP, they are required to undertake additional work on any errors they identified and report it to the DWP.

Resolved:

That the certification work letter from Grant Thornton be noted.

7 **External Audit Progress Report and Update**

Nicola Coombe from the Council's external auditors Grant Thornton presented an update report on progress made against their audit plan and on technical matters, sector issues and developments. The report included challenge questions for the Committee to consider.

The Chair asked whether employees would be able to provide answers to the challenge questions. Peter Farrow, Head of Audit reported that the Council would be able to respond and he referred to the Council's work with its external auditors, and the Council's participation in the National Audit Office exercise. Regarding the question, 'how the authority was engaging in the debate about the future of social care', he indicated that the Council's Director of Adult Services would be taking part in such national discussions concerning that sector. Claire Nye, Director of Finance supported the Head of Audit's response and added that David Watts, Director of Adult Services was proactively involved in regional and national bodies on social care. He would be able to talk to the Committee in more depth about the Council's engagement in the debate about the future of social care.

Resolved:

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

8 **External Audit Communications**

Nicola Coombe from the Council's external auditors Grant Thornton presented the report which aimed to contribute towards the effective two-way communication between the auditor and the Committee. The report included a series of questions the external auditor had put to the Council's senior management team and the responses received.

During the discussion on the report, Councillor Barbara McGarrity asked whether Council employees were offered project management training. Alison Shannon, Chief Accountant reported that the Council's Investment Support Team offered training across the Council on the management of budgets. The Strategic Finance Team also worked with managers on their budget management.

Referring to the management response to the question concerning related party relationships or transactions that could give rise to instances of fraud, Councillor Philip Bateman MBE asked whether the response took into account the turnaround of councillors in local May elections and the importance of making sure that newly elected and existing councillors are aware of their responsibilities in relation to declarations of interests. Peter Farrow, Head of Audit reported that recommendations on the issue of the completeness of related party declarations had been highlighted in previous external auditor reports. At the time and in response to the recommendations, Kevin O'Keefe, Director of Governance had introduced measures

to ensure that new and existing councillors were aware of their responsibility related to party declarations. These included all councillors being invited to new member induction briefings which would include the requirements for related party declarations; the creation of an on line version of the Register of Interests form to enable councillors to register their interests and have them published instantly rather than having to fill in a paper copy; and making the location of the Councillors' Register of Interests forms on the Council's website accessible within a few clicks from the Council's homepage.

Councillor Philip Bateman MBE asked that the management response in the report be amended to reflect the response from the Head of Audit. The Head of Audit undertook to amend the response for future years.

The Chair asked the external auditors whether they checked the responses from the Council's senior management team and provide feedback to them. Nicola Coombe confirmed that they undertake a sense check of the responses and offered feedback to the Council.

Resolved:

That the report from the external auditor, Grant Thornton be noted.

9 **Internal Audit Plan 2019-2020**

Peter Farrow, Head of Audit presented for review and approval the Internal Audit Plan for 2019/2020.

Referring to the HMO Licensing review, Councillor Philip Bateman MBE asked for a report on whether there had been an increase in the issue of HMO licenses. The Head of Audit undertook to provide an update at the next meeting.

The Chair queried the reference in the proposed 'Equal Pay Liabilities' review to 'the risk of new claims significantly reducing on 1 April 2019 deadline'. The Head of Audit reported that there was a six year time limit by when equal pay claims need to be submitted. 31 March 2019 was the deadline for the submission of claims.

In response to a question from the Chair, the Head of Audit advised that the review of the Civic Halls Programme would take place at the end of quarter one/ start of quarter two of 2019/2020.

The Chair also asked whether the review of 'Licensing (Private Hire) area' would cover the issues raised in recent media reports about the Council's private hire licensing procedures. The Head of Audit confirmed that the feedback received and the national view on licensing would all be taken into account during the review.

Resolved:

That the risk based internal audit plan for 2019/2020 be approved.

10 **Internal Audit Update - Quarter Three**

Peter Farrow, Head of Audit presented the report on progress made against the 2018/2019 internal audit plan and on recently completed work.

Mr John Humphries, Independent Member asked how much funding the Council allocated to its four Tenant Management Organisations (TMOs); to what extent could the Council ensure the TMOs complied with the recommendations from the TMO review; and whether there were any sanctions for failure to comply. Mark Wilkes, Audit Business Partner advised that the TMOs shared £4 million funding. On the latter point, the Head of Audit reported that ultimately the Council had responsibility for the TMOs if action needed to take action to ensure they made the necessary improvements.

Mr John Humphries went on to asked whether the Council would be held vicariously liable for any mistakes or errors made by the TMOs and if so what cover the Council had in place. The Head of Audit undertook to check the position and report back.

Following a suggestion from Mike Ager, Independent Member, the Committee agreed to discuss progress made with the implementation of the recommendations arising from the TMO review at the second meeting of the Committee in new Municipal Year.

Resolved:

1. That the contents of the latest internal audit update as at the end of quarter three be noted.
2. That the Service Director of City Housing be invited to the meeting on 27 July 2019 to discuss progress on the implementation of the action plan arising from the audit review of the TMOs.

11 **Audit Services - Counter Fraud Update**

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

The Chair asked whether the Council carried out anti money laundering Right to Buy Checks. The Audit Business Partner said they were made for any right to buy application, to make sure that the money the Council received was legitimate. Peter Farrow, Head of Audit added that the checks were useful for identifying undeclared income and therefore helpful in detecting benefit fraud.

Councillor Sohail Khan asked whether council house tenants moving on without settling their outstanding rents/council tax or notifying the Council of their move, should be included in the risk register. The Audit Business Partner reported that this issue would be dealt with through the Council's debt recovery procedures.

The Chair asked if it could be quantified how much the Council was potentially not receiving through this type of fraud. Claire Nye, Director of Finance reported that the Council would have reasons for any amounts it wrote off. She undertook to check available data within the Council Tax team.

The Chair also asked how the five tenancy subletting cases referred to in the report had been identified. The Audit Business Partner reported that they came through referrals via the hot line; from Wolverhampton Homes officers whilst visiting properties; and from contractors carrying out work at council properties.

Resolved:

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

12 **Audit and Risk Committee - Terms of Reference**

Peter Farrow, Head of Audit presented for review and approval revised terms of reference for the Committee. The terms of reference had been updated to incorporate five new additions to model terms of reference provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) in their latest 2018 edition of 'Practical Guidance for Local Authority Audit Committees'. The Head of Audit reported that over the next 12 months consideration would be given to where the five new areas in the terms of reference could be extended. However, it was pleasing to note that of the new additions, the Committee had for the last four years been producing an annual report on its work, which the Chair presented to Full Council. It was also part way there on reviewing the governance and assurance arrangements for significant partnerships or collaborations. During 2018 it had received reports on the role of the West Midlands Combined Authority's Audit, Risk and Assurance Committee and on the role of Wolverhampton Homes' Audit and Service Delivery Committee.

Resolved:

That the updated terms of reference be approved.

13 **Payment Transparency**

Peter Farrow, Head of Audit presented the report on the Council's payment transparency activity. Since the last report to the Committee one request had been received for information from the public (armchair auditor request). The request was for details of expenditure made to the Provider of the Social Care IT System.

Resolved:

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

14 **CIPFA Audit Committee Update - Issue 27**

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 on Local Audit; the recent National Audit Office report 'Local Authority Governance'; and on the regular briefing on new developments.

The Chair asked whether the Committee on Standards in Public Life's report on 'Local Government Ethical Standards' was available for the Committee. Peter Farrow, Head of Audit agreed to arrange for a copy of the report to be circulated to the Committee.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 27 be noted.

15 **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 paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items - press and public excluded

16 Audit Investigations Update

Mark Wilkes, Audit Business Partner presented the update report on two current audit investigations. One of the cases, which had been reported upon in the local press, related to the theft of Council computers by an employee.

Members of the Committee expressed their shock, concern and disappointment at the thefts and the lack of control measures in place to have prevented the thefts occurring. They hoped that suitable checks would be put in place to safeguard the Council's assets in the future and that the incident would act as a warning to the Council to ensure that its controls are suitably robust to ensure this type of theft was not occurring elsewhere within the organisation. Peter Farrow, Head of Audit informed the Committee that a task and finish group had been established to help the ICT service to improve its stock control measures. Claire Nye, Director of Finance informed the Committee that the Council's Strategic Executive Board shared the Committee's concern and disappointment at the incident. One of her priorities going forward would be to make sure that there are controls in place to safeguard the Council's assets.

Resolved:

That the update on the internal audit investigation be noted and details of the ICT risk assessment be reported to the next meeting of the Committee.

17 Vote of Thanks

The Chair reported that as this was the last meeting in the municipal year it may be his last meeting as Chair of the Audit and Risk Committee. He placed on record his thanks and appreciation to the members and independent members on the Committee, the Council's employees and the external auditors Grant Thornton for their valued contributions to the work of the Committee during the 2018/2019 Municipal Year.

In turn Councillor Phillip Bateman MBE moved a vote of thanks to the Chair for the way he had conducted the business of the Committee and for the way he had raised the profile the Council's audit function both internally and regionally during his time in office as Chair.