

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Sohail Khan (Vice-Chair)
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

Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Ged Lucas	Strategic Director - Place
Claire Nye	Director of Finance
Hayley Reid	Senior Auditor
Mark Wilkes	Audit Business Partner

In Attendance

Darren Baker	Civic Halls Refurbishment Programme Director
Bob Hide	Independent Advisor, Equip

Part 1 – items open to the press and public

Item No. Title

- 1 Apologies for absence**
Apologies for absence were submitted on behalf Councillor Obaida Ahmed.
- 2 Declaration of interests**
Mike Ager, Independent Member declared a non pecuniary interest in item 9 in so far as it refers to the West Midlands Pensions Fund.

3 **Minutes of previous meeting - 17 September 2018**

Resolved:

That the minutes of the previous meeting held on 17 September 2018 be approved as a correct record and signed by the Chair.

4 **Matters arising**

In response to Councillors Mary Bateman and Philip Bateman MBE, it was confirmed that updates on any response from Government regarding maintained nursery school funding after 2020 (Minute 8 refers) and the treatment of asbestos at the Civic Halls (Minute 7 refers) were included elsewhere on the agenda for the meeting.

With reference to Minute 5 (Annual External Audit Letter), and in response to Mike Ager, Independent Member, Claire Nye, Director of Finance undertook to circulate a note on the Strategy and Action Plan documents for the Strategic Asset Plan.

5 **External Audit Update**

Nicola Coombe from the Council's external auditors, Grant Thornton presented the report on an overview of their audit plans for the year ended 31 March 2019.

The Chair asked for the deadline date by when the group accounts would have to be signed off and when the Pensions Committee met. Grant Thornton reported that the deadline was the end of July. The Pensions Fund was a separate organisation with its own set of own accounts. City of Wolverhampton Council was the administering body for the Pension Fund so the accounts were included in the City Council's set of accounts presented to the Committee on 23 July 2018. The Pensions Fund accounts were also presented to the Pensions Committee for approval.

In response to questions from the Committee on the external auditors proposed value for money work (VFM) on the Civic Halls Refurbishment, Grant Thornton confirmed that as part of their role they would set the scope for the VFM work. Any concerns arising from that VFM work would be highlighted in their update report to Committee.

Resolved:

That the update report from Grant Thornton be noted.

6 **Capital Projects Lessons Learnt – Progress Update**

Peter Farrow, Head of Audit gave a brief introduction to the report. Darren Baker, Civic Halls Refurbishment Programme Director presented the update report on progress made in implementing the lessons learnt recommendations made in the 'Civic Halls Refurbishment' report that was presented to the Committee on 25 June 2018.

Bob Hide, Independent Advisor Equib explained his role of keeping abreast of what was happening on the project. Part of that involved working with the Programme Director on the development of a 'gateway process'; a key assurance mechanism designed to provide an objective view of the ability of the programme to deliver on time and to budget. That would be used at the design stage before moving onto the construction phase of the refurbishment. He had also facilitated risk workshops in order to validate information on the programme contained in Verto, the Council's project management system.

Ged Lucas, Strategic Director for Place also reported that he was the Senior Responsible Officer (SRO) for the project and held fortnightly meetings with the Programme Director. There were also monthly Programme Board meetings and progress on the project was reported to quarterly meetings of the Capital Projects Member Reference Group. By the time gateway process was completed in February/March 2019, the Council we would be in the position to answer more questions, including information on cost estimates.

Councillor Harbans Bagri asked for an update on the state of the foundations of the building, the structural steelworks, survey works and the extent of any deterioration to the structure beneath and to the exterior of the building. The Programme Director reported that the contractors had exposed the foundations and generally they are in a good condition and had not caused any issues to the steelwork. There were no concerns in that area from the surveys. Steelwork had been found on the exterior of the building to be corrosive in parts, this was the subject of ongoing investigations. There were no concerns for the building's internal steelwork.

Councillor Sohail Khan said that at a recent site visit to the Civic Halls building it was reported that a full condition survey had not been undertaken. The Programme Director reported that a condition survey had been undertaken when he came on board the project. Structural surveys to open up areas had not been undertaken. The condition of the building was informing the design going forward.

Councillor Sohail Khan asked how feasible it was to be talking about a budget for the project when there was uncertainty surrounding the condition of the building. The Programme Director reported that once the survey work was complete the costs would be clear.

Councillor Sohail Khan also asked whether regardless of the building's condition, would the budget cost for the programme be exceeded. The Programme Director reported that within the budget for the programme there was a contingency to cope and manage the structural repairs.

John Humphries, Independent Member asked how the contingency figure was calculated. The Programme Director explained that the design with the Quantity Surveyors would have modelled the potential costs of the steelwork. That would have been included as an estimate against that work. From there we calculate back, dependent upon the survey work ongoing, to arrive at a contingency. There was also a risk contingency in the project.

John Humphries, Independent Member said that he could not gain any confidence until he had figures on the contingency. The Programme Director reported that they budget for an amount of the cost to replace. That work was ongoing. Before any commitment was made to go forward with the project there was a process that would result in a full report to the Programme Board with a breakdown of the costs to complete the structural work.

Councillor Philip Bateman MBE asked about the budget for the programme. The Programme Director reported that it was £38.1 million. Claire Nye, Director of Finance confirmed the figure and reported that she was confident all the expenditure and what was left in the budget had been tracked.

Councillor Philip Bateman MBE also asked whether the Programme Director was sure that all the problems regarding asbestos in the building had been resolved and would not become an issue that would push the budget. The Programme Director reported that there had been a history of asbestos. A lot of asbestos was sprayed into place but was not confined to the area in use, (i.e. there had been over spraying). Parts of it had to be taken off and cleaned. In his view even if expert advice was sought, the Council would not be able to obtain a guarantee from them that they would not find some asbestos that had been over sprayed or not recorded. That was why we review an element in the budget. The Strategic Director added that with the degree of exposure of the surfaces in the building, it would not be a surprise if you found asbestos. Every effort had been made to ensure every possible place where asbestos could be had been looked at.

Councillor Philip Bateman MBE also asked for the percentage of the budget set aside for asbestos treatment and for the contingency. The Programme Director undertook to provide the information at the next meeting.

Mike Ager, Independent Member said that he was concerned what the public was thinking about how this project had been handled. He asked when there would be some positive messages about Civic Halls. The Strategic Director for Place reported that in March 2019 following the gateway process, it was hoped to have a specification for works, costs; and mechanisms for the future operation of Civic Halls.

Councillor Mary Bateman asked about the plans for the provision of food and whether the programme was on track for dealing with the asbestos. The Strategic Director reported that consideration was being given to food and beverage sales to be provided at Civic Halls and for ancillary events. On the point regarding asbestos, the timeframe had not changed, but the gateway process would help to confirm the timescales.

Mike Ager, Independent Member commented that he was worried that the risk for the programme had reduced from 16 to 12. He felt that this was wrong and sent an inaccurate message. The Strategic Director reported that the Corporate Leadership Team took the view that, on the work taking place and advice, and because the Council had control over the project it was no longer categorised as red.

Councillor Harbans Bagri asked if the total costs, including maintenance for the building would exceed the £38.1 million. The Director of Finance reported that the Council was within the £38.1 million. Councillor Harbans Bagri added that in the absence of the final reports from the survey work, he found it difficult to understand how a budget could be packaged for Civic Halls.

Returning to the questions about asbestos, Councillor Sohail Khan asked whether the Council was looking to take any action against the initial contractor employed to treat the asbestos at Civic Halls, and would they have any grounds on which to dismiss the Council's claim. In response, the Committee's attention was drawn to paragraph 3.6 of the report which covered legal issues. The Programme Director added that an asbestos management programme would be put in place even after the work to the building was complete. This was a requirement. It would inform any maintenance contractors who enter the building in future.

The Chair informed the officers that the Committee had concerns and would continue to monitor progress with the Civic Halls Refurbishment programme. He also said that given the update he was not comfortable at this stage with the downgrade of the risk on the project from red to amber. He felt that the risk should have remained as red. The Programme Director reported that in response to the lessons learnt report concerning control and management of the project, the Council had looked to put in place the right knowledge about the project, the budget to procure the skills to make sure the correct process was followed. All that knowledge and the costs at this stage were available to make an informed decision about taking the project forward. That element of control did not previously exist. That was why the risk had reduced to amber.

The Chair commented that in the past asbestos has been sprayed in parts of buildings because of its fire resistant properties. He asked what provision had been put in its place and sought assurance that the Council's capital investment would be protected. The Programme Director reported that as part of the ongoing design there would be a fire strategy for the building. An informed decision would be fed into gateway process on fire safety.

Councillor Sohail Khan asked about the provision of sprinklers in the Civic Halls and whether the dancefloor could be saved. The Programme Director reported it was not planned at this stage to install sprinklers but that position could be reviewed in the final design of the project. Regarding the dancefloor, because of the listed building status of the Civic Halls building, the dancefloor was being removed, maintained, cleaned and then reinstalled.

Councillor Harbans Bagri asked if there was a deadline for receiving the reports from the surveys. The Programme Director said that it was early in the new year.

Resolved:

That the progress made in implementing the lessons learnt recommendations in respect of the Civic Halls Restoration programme that was originally reported to the Audit and Risk Committee on 25 June 2018 be noted.

7

Strategic Risk Register and Strategic Assurance Map

Hayley Reid, Senior Auditor presented the report on the key risks the Council faced and how the Committee could gain assurance that the risks were being mitigated.

Councillor Philip Bateman MBE asked about the Council's work on Brexit (risk 35) and whether there was an economic assessment that led to Brexit being identified as a risk for the Council and the wider City. Claire Nye, Director of Finance reported that the way the Council approached Brexit was to set up a group to consider the implications and how they could be addressed. The Council was also carrying out research. It was difficult to identify the implications at this stage. There may not be an immediate direct financial implication to the Council but there would be implications. Councillor Philip Bateman MBE said that there were some concerns regarding the Council being able to continue to operate post Brexit in terms of access to fuel and energy supplies, delivery of social services and issues relating to the provision of services to the general population. He requested more information on the planning the Council had undertaken. The Director of Finance reported that work was ongoing. The Council's Director of Public Health was looking at the implications of Brexit on pharmaceuticals and the Procurement service was looking at the implications for the supply chain. An update would be submitted to a future meeting.

The Chair requested, and the Committee agreed that the risk owner for risk 35 - Brexit be invited to the next meeting to discuss the risk in more detail.

Mike Ager, Independent Member asked about the Council's interactions with the business community on Brexit. The Director of Finance reported that the Council's Director of City Economy was talking to local businesses and the Black Country Consortium, of which the Council was a member was also engaged in discussions.

The Chair said that he was concerned at the increase in the risk of the Medium-Term Financial Strategy (MTFS) to red. He asked for the reasons for the increase and sought reassurance as to when it was anticipated that the risk would be downgraded. The Director of Finance explained that the Government's Fair Funding Review was slipping. The current view was that there might only be a one year local government financial settlement. The Council was also facing pressure on adult social care and in children's services. The number of children and young people in care was being managed well but the number of costly placements were increasing. The MTFS was being prepared and an update would be presented to Cabinet in February and July 2019.

Bill Hague, Head of School Organisation was also in attendance to present an update on the current financial position of maintained nursery schools and to respond to the Committee's questions on Government funding for maintained nursery schools after 2020. He reported that it was not known whether the funding would continue beyond 2020. A response was awaited from Government on the issue. A guidance note issued last week confirmed that funding had been maintained for 2019.

(NB Councillor Philip Bateman MBE and Councillor Mary Bateman declared non pecuniary interests in so far as they are Governors on Local Authority nursery schools). Councillor Philip Bateman MBE said the update was useful. He referred to the question he had submitted to Full Council on 7 November 2018 regarding maintained nursery schools and the suggestion that cross-party working take place to examine the issue and a possible delegation to Government.

Resolved:

1. That the latest summary of the Council's strategic risk register as at Appendix 1 to the report be noted.
2. That the inclusion of risk 35 – Brexit be noted.
3. That the increase in the risk score for risk 4 – Medium Term Financial Strategy (MTFS), as a result of future uncertainties and increasing pressures surrounding the MTFS be noted.
4. That the decrease in the scores for the following risks be noted:
 - a. Risk 3 – Information Governance due to the progress made by the Council in this area since the introduction of GDPR in May 2018.
 - b. Risk 30 – Civic Halls, as a result of the revised programme management and governance structure that is now in place.
 - c. Risk 33 – Governance of Major Capital Projects and Programmes, due to the changes that have been implemented following the publication of the lessons learnt reports presented to Committee in July 2018.

- d. Risk 34 – Wolverhampton Interchange Programme (Train Station), as the project has now moved into the delivery phase.
5. That the changes to target dates for the reduction of the following risks be noted:
 - a. Risk 25 – Payment Card Industry Data Security Standard
 - b. Risk 28 – Health and Safety.
6. That the main sources of assurance available to the Council against its strategic risks at Appendix 2 to the report be noted.
7. That risk 35 – Brexit be considered at the next meeting and the risk owner be invited to attend.

8 **Annual Governance Statement Update - Action Plan Update**

Peter Farrow, Head of Audit presented the report on progress made on the implementation of the action plan from the 2017-2018 Annual Governance Action Plan.

The Chair asked for an update on the audit of the four Tenant Management Organisations that commenced in May 2018. The Head of Audit reported that all four reviews were now completed. Service area sign up was being obtained to the review recommendations. The recommendations would be included in the Audit Review Quarter three update report to the Committee.

Resolved:

That the progress made in addressing the key improvements areas identified in the 2017-2018 Annual Governance Statement action plan be noted.

9 **Internal Audit Update - Quarter 2**

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

Referring to the Audit team's representation and role on project groups/boards, John Humphries, Independent Member asked the Head of Audit how he would ensure that his team maintained their independent role on the boards/groups and not become 'part of the system'. The Head of Audit agreed that it was a challenge but his team would need to ensure it maintained that impartial independent assurance.

Resolved:

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

10 **Audit Services - Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Services. He particularly highlighted publications from the Chartered Institute for Public Finance and Accountancy (CIPFA) and the National Fraud Office (NFO) and some of the areas of fraud highlighted.

The Chair asked if there was any underlying reason for the reduction in the number of cases of Right to Buy fraud and for the increase in Council tax discount (Single Person Discount as a result of fraud or error) during 2016/2017 when compared to the previous year. The Audit Business Partner reported that the reduction in Right to

Buy fraud was down to natural fluctuations. For the Single Person Discount (SPD), an external firm had been employed to deal with SPD fraud. Councillor Barbara McGarrity commented that it was her understanding that an officer had been employed to check the entitlement of applicants for SPD and their efforts had contributed to the increase in the number of council tax discount cases during 2016/2017.

Referring to the national picture for Blue Badge fraud, the Chair also asked whether Blue Badge fraud was a problem in Wolverhampton. The Audit Business Partner reported that generally it was not an issue within the City.

John Humphries, Independent Member asked how the Council would 'value for money' check employing contractors to work on SPD cases versus providing the service inhouse and possibly cheaper. The Audit Business Partner advised that the service dealing with SPD fraud was an externally managed service that was exposed to competitive tender to secure the services of a contractor.

Resolved:

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

11 **Internal Audit - External Assessment**

Peter Farrow, Head of Audit presented the report on the results of the independent validation of the internal audit self-assessment exercise (minute no.11 of the meeting held on 11 December 2017 refers). The findings highlighted three/ four areas for improvement. which had been translated into an action plan. The Audit team had also identified a few areas they felt could be improved upon. These had also been included in the action plan.

Mike Ager, Independent Member commended the brevity of the report. The Chair said that he looked forward to receiving an update on the implementation of the action plan in six months' time.

Resolved;

That the results of the recent independent validation of the Council's internal team self-assessment exercise be noted.

12 **Payment Transparency**

Peter Farrow, Head of Audit presented the report on the Council's payment transparency activity. Since the last report to the Committee no requests had been received 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.

13 **CIPFA Audit Committee Update - Issue 26**

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 the main changes to the CIPFA Position Statement and guidance on publication on audit committees in local authorities and police.

In response to the Chair, Peter Farrow, Head of Audit reported on the key changes to the CIPFA guidance. It now recommended that all local authority audit committees should include an independent member/ (co-opted) member and that all audit committees should report regularly on their work and produce an annual report. He noted that the Committee had been compliant with the new CIPFA recommendations for several years. The guidance also included an updated self-assessment. The Head of Audit reported that previously owing to the turnaround of members on the Committee, it had not been possible to complete the self-assessment. He suggested that after the 2019 local elections he would revisit it with the members of the Committee.

Resolved:

That the contents of the latest CIPFA Audit Committee update, Issue 26 be noted.

14 **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.

15 **Audit Investigations Update**

Mark Wilkes, Audit Business Partner presented the update report on current audit investigations.

Referring to the outcome of the Tenancy Sub-let audit investigation, Councillor Philip Bateman MBE asked whether the County Court judgement on the tenancy sub-letting case was publicised. He suggested that to do so would send a message to the public and tenants that the Council and Wolverhampton Homes take the issue of sub-letting Council property very seriously and action would be taken against anyone caught committing that fraud. The Audit Business Partner reported that Wolverhampton Homes would manage publicity of cases taken to court. Peter Farrow, Head of Audit also said that the Chair of the Committee was keen for the Council to promote the outcome of County Court hearings relating to fraud and he would arrange to include a reference to the court judgement in a potential press release on the Committee's work.

Resolved:

That the update on the internal audit investigation be noted.