

### Attendance

#### Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)  
Cllr Jonathan Yardley (Vice-Chair)  
Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Craig Collingswood  
Cllr Roger Lawrence  
Cllr Barbara McGarrity QN  
Cllr Lynne Moran  
Mike Ager  
John Humphries

#### Employees

Emma Bland	Finance Business Partner
Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Fabrica Hastings	Democratic Services Assistant
Alison Hinds	Deputy Director – Social Care
Jaswinder Kaur	Democratic Services Manager
Claire Nye	Director of Finance
David Pattison	Director of Governance
Hayley Reid	Senior Auditor (Risk)
Alison Shannon	Chief Accountant
Kirsty Tuffin	Democratic Service Officer
Mark Wilkes	Audit Business Partner

#### In attendance

Fiona Hollingworth	JLL
Mathew Kitson	Bruton Knowles
Minesh Parmar	JLL
Jon Roberts	Grant Thornton
Martin Wilson	Bruton Knowles

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

*Item No.*     *Title*

- 1 Apologies for absence**  
There were no apologies for absence.
- 2 Declaration of interests**  
Councillor Lynne Moran declared an interest as a member of the WV Homes Board of Trustees.

3 **Minutes of previous meetings**

That the minutes of the previous meetings held on 26 November 2020 and 7 December 2020 be approved as a correct record.

4 **Matters arising**

Following a query as per item 3, resolution 3 of the minutes of the previous meeting held on 7 December 2020, it was confirmed that Alison Hinds, Deputy Director for Social Care would be in attendance at the meeting to discuss the safeguarding of children.

Please note: it was agreed to move item 9, Covid-19 Risk Register and Strategic Risk Register, for discussion following item 5, External Audit Progress Report and Update.

5 **External Audit Progress Report and Update**

Jon Roberts, External Auditor – Grant Thornton, presented the report on the External Audit Progress Report and advised that he would be replacing Mark Stocks as the Council's external Auditor lead.

The Committee were advised that work had been underway to complete the Government consolidation packs that would allow Grant Thornton to grant certification of the Councils Audit 2010-2020. One of the main changes highlighted had been a revised approach to value for money work for 2020-2021 and the revised auditing standards. The value for money work included three 3 areas of focus for auditors to include in their analysis:

1. Improving economy, efficiency and effectiveness,
2. Financial sustainability,
3. Governance.

A detailed fee analysis would be brought to the next Committee meeting. Following concerns on the increased fees, Jon Roberts reassured Members that the changes would be more demanding and the increase in fees would be used to cover increased resources and would not be profit led.

Resolved:

1. That the Progress Report and Update provided by Grant Thornton, be noted.

6 **External Audit - Informing the Audit Risk Assessment 2020-2021**

Jon Roberts, External Auditor – Grant Thornton, presented the report on the External Audit - Informing the Audit Risk Assessment 2020-2021.

The Committee were advised that Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee and the inquires outlined in appendix 1, fall under these auditing standards. Following questions on the number of consultants and use of barristers, Members were reassured that external barristers are used for childcare court cases, litigation and regeneration projects. It was agreed that further information on this, trends on using them and the costs incurred for using external consultants, would be provided.

Resolved:

1. That the report from the external auditors, Grant Thornton, be considered.

2. That it be agreed that further information on the use of external consultants, trends of use and the costs incurred would be brought to a future Committee meeting.

## 7 **Accounting Estimates**

Emma Bland, Finance Business Partner, provided a presentation on key accounting estimates that would be included in Council's financial statements this year.

The Committee were advised that accounting policies and accounting estimates were used to ensure that the accounting data within financial statements was valid data. Accounting policies are standard rules and procedures that must be used by the Council and accounting estimates are used when these clear-cut standards are not available. The Director of Pensions would be in attendance at the next Committee meeting to discuss the defined benefit pension liability. The Committee were advised that the audit standard ISA 540 had been revised and had increased focus from regulators on estimates the Council makes and required an understanding of the internal control on the accounting estimates.

Martin Wilson and Mathew Kitson, representatives from Bruton Knowles, provided a presentation on asset valuations used for the Council. The Committee were advised that Bruton Knowles had conducted asset valuations for the Council's commercial portfolio. The four types of assets outlined were:

1. Operational non-specialised
2. Operational specialised
3. Non-operational non-specialised
4. Non-operations specialised.

Examples of operational assets included; leisure centres, community centres, museums and the civic centre. The examples outlined for non-operational assets included; surplus assets, assets held for sale and investment properties. The asset type would dictate what method of valuation would be used and the four methods included:

1. Comparable method
2. Investment
3. Income/profits
4. Depreciated replacement cost (DRC).

Fiona Hollingworth and Minesh Parmar, representatives from JLL, provided a presentation on HRA Valuation Services that outlined the basic principles, the framework and methodology used. The Committee were advised that the market value of a property would be used in all valuations conducted and for social housing, existing use value would be used. The two frameworks outlined were the 'stock valuation for resource accounting guidance for values 2016', published by MHCLG, and the 'RICS Valuation – Global Standards 2017', published by the Royal Institution of Chartered Surveyors.

The Committee were advised that the beacon approach was used by JLL for up to 98% of the Councils stock, which divides the stock into asset groups and then categorises into different archetypes. The remaining 2% of the stock would be looked at individually. The following methods would also be used when assessing market values:

1. Land registry data
2. Bespoke online tools

3. Local experience and knowledge of the area
4. Understanding on local market dynamics and,
5. Phone calls with estate agents.

For all valuation advice provided a material uncertainty clause (MUC) would be incorporated, in line with the RICS guidance, and the steps to mitigate risks were outlined. It was agreed that the slides shared in the meeting be shared with Members of the Committee.

Resolved:

1. That the presentations provided by the Council and the Council's external valuers: Bruton Knowles and JLL be noted.
2. That it be agreed that the slides shared in the meeting be shared with Members of the Committee.

## 8 **Accounting Estimate Management Summary**

Jon Roberts, External Auditor – Grant Thornton, presented an update on the External Audit - Informing the Audit Risk Assessment 2020-2021.

The Committee were advised that to meet the requirements for the revised ISA 540 auditing regulations, the Council had responded to questions raised by Grant Thornton on their key estimates, as per appendix 1 of the report. It was highlighted that although, external professional companies were used to generate the Council property and pensions estimates, these were the biggest risk to the Council in the risk assessment for 2020-2021. To mitigate the risk, Grant Thornton advised the Committee that data would be an essential element in getting accurate estimates. Grant Thornton and their valuers would be used to challenge the Council and their valuations. Praise was given on good practice from the Council in inviting the Council's valuers to Committee.

Resolved:

1. That the report of the external auditors, Grant Thornton, be considered.

## 9 **Covid-19 Risk Register and Strategic Risk Register**

Hayley Reid, Senior Auditor (Risk), presented an update on the Strategic Risk Register and a Covid-19 Risk Register. The update detailed the risks faced by the Council as a result of the Covid-19 pandemic and, the latest summary of the Council's Strategic Risk Register as at Appendix 1 and 2.

The Committee were advised that 19 risks were included on the covid risk register, the following six of those were rated 'red':

1. Businesses closing
2. Reputation/loss of public confidence
3. Medium Term Budgetary pressure
4. Service providers – adults
5. Impact on on-going projects and programmes
6. Rise in unemployment

The Strategic Risk Register included 16 risks, that had one risk rated 'red':

1. Medium term financial strategy.

Following questions, David Pattison, Director of Governance, clarified that the delays as per Covid risk 17 (impact on ongoing projects and programmes), had been

minimal and regular covid testing and health and safety measures were in place on work sites. It was agreed that an update on the impact of covid on key projects and the financial on the projects, be brought to a future Committee meeting.

Alison Hinds, Deputy Director for Social Care, reassured the Committee that the regular reports were received on all referrals made through MASH, the level of risk to children and the outcomes of these referrals. The Council worked with partners through the Wolverhampton Safeguarding Together Board that scrutinise the information on referrals. January saw an increase in referrals that were to be managed through the child protection policies. Individuals seeking help/guidance from external organisations had increased since lockdown, this was usually low level and often occurs before a formal referral would be made that would require investigating/police intervention.

Resolved:

1. That the Council's Covid-19 risk register which details the risks faced by the Council as a result of the Covid-19 pandemic, as at Appendix 1, be noted.
2. That the latest summary of the Council's Strategic Risk Register, as at Appendix 2, be noted.
3. That the verbal update on the Covid Risk 4 – Safeguarding Children from the Deputy Director for Social Care, be noted.
4. That it be agreed that details on the impact of covid on key projects and the financial cost of covid on the projects, be brought to a future Committee meeting.

#### 10 **Audit and Risk Committee - Terms of Reference**

Peter Farrow, Head of Audit presented the report on the revised terms of reference for the Audit and Risk Committee that is review annually

The Committee were advised that ahead of the CIPFA review, the terms of reference had been updated to include accounting estimates as part of its financial section that would be beneficial to the Committee.

Resolved:

1. That the terms of reference for the Committee in line with recognised best practice, be approved.

#### 11 **Internal Audit Update**

Peter Farrow, Head of Audit presented the report on the progress made against the 2020 - 2021 internal audit plan and provided information on recent work that had been completed.

The Committee were reminded that due to a significant amount of audit resources redeployed to focus on critical work surrounding the impact of covid-19, some audit reviews had been deferred and would be included in the next internal audit plan where appropriate.

The Committee were advised that the audit team were working with procurement following a review that saw concerns around the maintenance of procurement records, although reassurance was provided that no legislation had been breached. Recommendations for improvement had been agreed with John Thompson, Head of Procurement, and improvements were being put in place. A follow up review would be conducted in 2022.

Resolved:

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

12 **Internal Audit Plan 2021-2022**

Peter Farrow, Head of Audit presented the report on the Internal Audit Plan 2021-2022 that provided the Committee with a risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs.

The Committee were advised that a number of deferred audits from the previous 2020-2021 plan had been included in the 2021-2022 audit plan where appropriate.

Following questions on payment of grants, Peter Farrow reassured members that over 4,000 grants had been processed so far and tools had been used such as the Government recommended 'Spotlight' RAG rating tool and NFI to run background checks and validate data on those applying for the grants. Councillor Lynne Moran requested that the grants for Early Years be monitored.

Praise was given to Peter Farrow and the Team on the work they had conducted.

Resolved:

1. That the risk based internal audit plan for 2021-2022 be approved.

13 **CIPFA Audit Committee Update**

Peter Farrow, Head of Audit presented the report on the CIPFA Audit Committee that focused on the Head of Audit Opinion, the Redmond Review and a regular briefing on current issues.

The Committee were advised that the two issues highlighted in the update had been the Redmond Review, that Grant Thornton had already provided a detailed update on at the previous meeting, and the amount of work audit teams in public sectors had spent on their internal audit plans. Members were asked to contact Member Services if they wished to be booked onto any of the training programmes offered by CIPFA. It was agreed that confirmation on the budget position for training for Members be brought to the next Committee meeting.

Resolved:

1. That the contents of the latest CIPFA Audit Committee Update which has a focus on the Head of Audit Opinion, the Redmond Review and a regular briefing on current issues, be noted.
2. That it be agreed that confirmation on the budget available for training be brought to the next Committee meeting.

14 **Counter Fraud Update**

Mark Wilkes, Audit Business Partner presented the update report on current counter fraud activities undertaken by Audit Service since the last meeting.

The Committee were advised that work had been ongoing for the allocation of small business grants, discretionary grants and hospitality grants by Government to assist with the impact of the pandemic. Following post payment checks, 24

invoices had been raised against businesses, two of which had started their repayments to the Council. Debt recovery measures would be used on businesses where required. Details of any further action would be brought to Committee if required.

Resolved:

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

15

### **Payment Transparency**

Mark Wilkes, Audit Business Partner presented the report on the Council's current position with regards to the publication of all its expenditure.

The Committee were advised that no armchair auditor requests had been received in the last quarter. A query raised on payments for nurseries had identified that data had been added incorrectly but Committee were reassured that the data had been corrected.

Resolved:

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