

Audit and Risk Committee

Minutes - 4 July 2016

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Harbans Bagri
Cllr Mary Bateman
Cllr Philip Bateman
Cllr Jasbir Jaspal
Cllr Martin Waite
Cllr Andrew Wynne
Mike Ager (Independent Member)

Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Michelle Howell	Finance Business Partner
Narinder Phagura	Strategic Risk Manager
Neil Rogerson	Resilience Manager
Robert Spence	Finance Manager
Mark Taylor	Director of Finance
Mark Wilkes	Client Lead Auditor

External Auditors – Grant Thornton

Nicola Coombe
Mark Stocks
David Roper

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
Apologies for absence were submitted on behalf of Cllr Christine Mills and Terry Day, Independent Member.
- 2 Declaration of interests**
Cllr Mary Bateman and Mike Ager, Independent Member both declared a non disclosable pecuniary interest in agenda item 8 (Annual Internal Audit report) insofar as they are governors of schools mentioned in the report.
- 3 Minutes of previous meetings - 14 March 2016**
Resolved:
 1. That the resolution to Minute 7 (External Audit plan 2015/16) be corrected by the substitution of 'Grant Thornton' for the name 'PwC'.

2. That subject to 1 above, the minutes of the previous meeting held on 14 March 2016 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to Minute 9 (Strategic Risk Register and Assurance Map), Cllr Phil Bateman requested an update report on the extent to which Wolverhampton's secondary schools were now taking up the training opportunities afforded by Jaguar Land Rover Education Centre. Cllr Craig Collingswood (Chair), agreed and asked that the information be obtained from the Director of Education and circulated to members of the Committee.

5 **External Audit update report**

Emma Coombe, Grant Thornton presented an update report on progress in delivering their responsibilities as the Council's external auditor.

Mike Ager, Independent Member commented that the savings from the 'other areas of work' referred to in the report were significant and he requested more detail on the audit work involved. Mark Stocks, Grant Thornton advised that it related to work which looked back on all invoices the Council received relating to its utility bills to determine whether the Council had been mis-billed and if so to recover that money.

The Chair also asked whether Grant Thornton had identified any other major issues from their interim fieldwork. Grant Thornton advised that there was nothing of significance to bring to the Committee's attention.

Resolved:

That the report from the Grant Thornton, external auditors be received and noted.

6 **Draft Statement of Accounts 2015/16**

Mark Taylor, Director of Finance presented for information, the draft Statement of Accounts for 2015/16 which he had approved and which would be subject to audit by the Council's external auditors, Grant Thornton. The West Midlands Pension Fund statement of accounts was also included in the report.

Cllr Andrew Wynne commented that the modelling for the draft statement of accounts had been agreed pre Brexit. He asked whether following the Referendum there was envisaged to be any change to the draft accounts and the financial position of the Council. The Director of Finance reported that the draft accounts related to a given period in time. Brexit would increase uncertainty and was a risk in the Council's Medium Term Financial Strategy (MTFS). The Council would monitor the situation carefully to see what the Government plans would be and it would continue to operate prudently and make sure it was well-placed to respond to the challenge.

The Chair added that Grant Thornton had produced a leaflet on the mechanics of leaving the EU which would be circulated to members at the end of the meeting.

Mike Ager, Independent Member asked what the draft accounts would mean for Wolverhampton residents. The Director of Finance informed the Committee that a plain English report would be produced that would articulate more clearly the Council's financial position.

The Director of Finance also responded to questions from the Committee regarding the Housing Revenue Account and the freeze in managements costs to the Council's housing managing agents; the number of homes Wolverhampton Homes managed for the Council; the reasons for the increase in the Council's reserves other than those held by schools.

Resolved:

1. That it be noted that the Director of Finance approved the Draft Statement of Accounts 2015/16 on 30 June 2015, as required by the Accounts and Audit (England) Regulations 2011.
2. That it be noted that the 2015/16 Draft Statement of Accounts is to be audited by Grant Thornton from July through to September, and that any material changes required as a result of the audit will be reported to the Audit and Risk Committee.
3. That it be noted that formal approval by the Council and publication of the 2014/15 Statement of Accounts is required by 30 September 2015 (Accounts and Audit (England) Regulations 2011).
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 (England) Regulations 2011.
5. That a report be submitted to a future meeting on the risks to the Council arising in respect of admitted bodies to the Pension Fund.
6. That an updated set of accounts be presented to the next meeting of the Committee.

7 **Summary-Place-Profile-Wolverhampton**

In response to the request of the Committee on 14 March 2016, Grant Thornton presented a paper on an economic social and environmental summary profile for Wolverhampton which had been produced by their Place Analytics team. The paper was a backward looking document, and was purely for information and as a guide to help the Council shape its future.

Cllr Phil Bateman commented that the information within the paper was nothing the Council was not already aware of but the document was a useful reference which compiled many sources of information in a single place. He also commented that he felt that over the next two years the Council would need to make further movements, particularly in terms of measuring and delivering upon the economic regeneration planned/ in progress and in making the public aware it.

Councillor Martin Waite commented that the summary profile was an interesting piece of work but it presented a bleaker picture of Wolverhampton economically than was the reality. The profile did not include the suburbs outside Wolverhampton that would impact on the city economically. The Chair agreed, adding that aspects such as the vibrancy and entrepreneurial nature of the city were not mentioned.

Mike Ager, Independent Member enquired as to how some of the lines within the paper would be taken forward by the Council's senior management team. Grant

Thornton reported that they would be discussing this point with the Council's Managing Director and Director of Finance over the next few months. A report would be submitted to the Committee in a year's time to see if improvements had been made.

Resolved:

That the report from Grant Thornton be noted.

8 **Annual Governance Statement - 2015/16**

Peter Farrow, Head of Audit presented for review and comment, the Council's Annual Governance Statement for 2015/16 which had been signed by the Leader of the Council and the Managing Director.

Referring to the 'FutureSpace' key area for improvement, Cllr Martin Waite asked about the benefits realisation for the programme and when the Council would begin to consider whether the programme was meeting its targets in terms of savings and other benefits and whether at this stage there was a flavour of what the benefits would be. The Head of Audit reported that the Council's Corporate Landlord would be working on this aspect of the programme and that during 2017 there would be a better picture of what it means. Mark Taylor, Director of Finance assured the Committee that a strong programme management approach to the FutureSpace programme was in place and daily alerts are received if the programme is not on track in terms of its milestones.

The Chair also queried why some key areas for improvement in the Annual Governance Statement during 2014/15 had not been cleared. The Head of Audit advised that they were business as usual items which the Council would continually have to look at year-on-year, such as savings targets.

Resolved:

That the contents of the Council's Annual Governance Statement for 2015/16 be noted.

9 **Annual Internal Audit Report 2015/16**

Peter Farrow, Head of Audit summarised the key points of the report which aimed to provide the Committee with an annual Internal Audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

Cllr Andrew Wynne sought assurance that where major risks are identified from the work of Internal Audit, they are being acted upon by the Council's senior management team. The Head of Audit confirmed that service directors receive a copy of the report on the audit of their service. The report would indicate what action they proposed to take in response to the audit recommendations. The Audit team would undertake a follow-up visit to confirm that the action had been taken.

Cllr Phil Bateman requested an update on the ongoing work at Coppice Performing Arts School. The Head of Audit informed the Committee that Council employees were working with the School team to find solutions to support them to make the desired improvements. The Education Service was also working with the School regarding their finances. In response to a call for further information, the Head of Audit undertook to request the Director of Education provide an update on the work taking place and progress being made.

Mike Ager, Independent Member commented that the Governors at Coppice Performing Arts School were concerned that a further audit report had been produced six months ago but had yet to be released. The Head of Audit undertook to speak to the Director for Education to accelerate the release of the report.

Mike Ager also commented that a quarter of the audit reviews completed in 2015/16 had a 'limited' level of assurance and that he felt that this figure was too high. The Head of Audit acknowledged the observation but indicated that a large proportion of the limited assurance reports were related to schools. If those reports were excluded it would give a fairer picture of the Council.

The Chair also asked whether Audit Services would hold follow up meetings on the reviews into the Black Country Gold Project and the Bilston Urban Village Advanced Programme. The Head of Audit advised that the final reports in respect of these reviews had only recently been issued. He would be reporting back on progress made in implementing the recommendations to a future meeting.

The Chair also noted that only 60% of audit reports had been issued within the target of two weeks after the completion of the audit fieldwork. The Head of Audit explained that a new protocol had been agreed by the Strategic Executive Board in order to improve performance.

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.

10

Strategic Risk Register and Strategic Assurance Map

Narinder Phagura, Strategic Risk Manager outlined the salient points of the report on the key risks the Council faced and how it could gain assurance that the risks are being mitigated. In doing so the Strategic Risk Manager also drew attention to information the Committee had requested at its last meeting relating to strategic risk 17- employee management. That report updated the Committee on the progress made by the Council in this area and the further actions required to manage the risk and the corporate performance indicator in respect of the number of appraisals completed.

During the ensuing discussion the Chair commented that he was pleased that there was currently only one strategic risk that was rated red.

Mike Ager, Independent Member asked whether the Council's Strategic Executive Board would be considering the upcoming risks associated with 'Brexit'. The Strategic Risk Manager confirmed that an exercise was being undertaken to consider the implications. An update would be presented to the next meeting of the Committee.

Neil Rogerson, Resilience Manager was also in attendance for this item and he gave a brief overview in respect of the strategic risk 8 - business continuity management which the Committee had requested at the last meeting.

At the end of the discussion on the report it was agreed that an update report be submitted to the next meeting on strategic risk 2 - skills for work.

Resolved:

1. That the strategic risk register be noted.
2. That the reduction in the assessment of risk 1-looked after children from red to amber as a result the progress made in 2015-16 be noted.
3. That the closure of risk 19 a in respect of the Devolution Deal, following the consent given by the Council on second of March 2016 noted.
4. That the change in target date for the reduction of risk 17-employee management (from July to September 2016) and the reasons for this be noted.
5. That the main sources of assurance available to the Council against the strategic risks be noted.
6. That an update report on the strategic risk 2- skills for work be submitted to the next meeting and the Director for Education be invited to attend the meeting for that update report.

11 **Audit and Risk Committee Annual Report - 2015/16**

The Chair presented the report which summarised the main areas of work undertaken by the Committee during 2015/16. He proposed to take the annual report to full Council.

Peter Farrow, Head of Audit commented that the training event for the Committee which took place last week was well received. The Chair added that he had ideas to raise the profile of the Audit and Risk Committee further.

Resolved:

That the Audit Committee Annual Report for 2015/16 be endorsed and referred to Full Council for approval.

12 **Business Rates Appeals**

In response to the request at the last meeting, the Committee received prior to the meeting a report on the Council's current position with regards to the Valuation Office backlog of non- domestic valuation appeals. A revised report was tabled which elaborated on the background detail and the financial implications sections of the report. Dereck Francis, Democratic Support Officer apologised for the tabling of the revised report and explained that the published version was a draft and the error had only been detected a few hours before the meeting.

Cllr Philip Bateman commented that he had made comments on the original report. He also expressed concern that it appeared to be taking a year to process a business rates case. In response the Committee was advised that this was an average. Some appeals would be processed within weeks and others would take

longer. There had been a spike in business rate valuation appeals and the Council would expect the Valuation Office to have cleared the backlog within a year.

Cllr Bateman added that the Council was holding reserves for valuation appeals which it could not use elsewhere until the outcome of the valuation appeals. He asked about the levels of Council engagement on the Local Government Association or other associations and with the Combined Authority on the current valuation appeals system. Mark Taylor, Director of Finance reported that Wolverhampton's position was not untypical. The valuation appeals process was a national system and in terms of the Metropolitan Councils they were experiencing similar concerns and some were in a worse position. The Director assured the Committee that the Council do take up opportunities to raise its concerns with Government as well as with the Local Government Association, SIGOMA and other interested groups who the Council worked closely with.

Cllr Martin Waite added that the retail landscape had changed. The value of bricks and mortar was now worth less because of the move to online retailing. The Council was doing what it could to bring retailers into empty shop premises. Against this landscape it could be an issue for the Council if it were lobbied for a reduction in business rates for retail properties. The Director of Finance acknowledged the points but added that the Business rates scheme was nationally operated over which the Council had no control.

Resolved:

That the level of business rates appeals outstanding with the valuation office be noted and that the Council had assessed the financial risk associated with these appeals and made a suitable provision for potential financial losses in its accounts

13 **Audit Services - Counter Fraud Update**

Mark Wilkes, Clients Lead Auditor, outlined the salient points of the latest update on counter fraud activities undertaken by Audit Services. He particularly highlighted the whistleblowing policy review and that information on the Council's website relating to fraud and corruption had been extensively revised.

The Chair asked that the Whistleblowing Policy be publicised on City People to raise awareness of the policy amongst council employees. He also suggested that it would be useful if future updates on the CIPFA Annual Fraud and Corruption survey included comparison figures on the key results for Wolverhampton.

Resolved:

That the contents of the latest audit services counter fraud update noted.

14 **Payment Transparency**

Peter Farrow, Head of Audit updated the Committee with the current position on the Council's publication of all its expenditure activity since the last meeting of the Committee. Since the last report to the Committee in March 2016 there had been no request for information from the public (as an 'armchair auditor').

Resolved:

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

- 15 **CIPFA Audit Committee Update - Issue 19**
The Committee received, for information, the latest of regular briefings issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for audit committee members in public sector bodies.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 19 – helping audit committees to be effective be received and noted.

- 16 **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 items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items, closed to press and public

- 17 **Audit Investigations Update**

Mark Wilkes, Client Lead Auditor presented the update report on current audit investigations.

Referring to the audit investigation update, Cllr Martin Waite commented that restrictions could be placed on the types of retailers where pre-paid debit cards could be used. He asked whether the Council could lock down its pre-paid debit cards in this way. The Client Lead Auditor confirmed that this was possible and the extent to which it could be applied could be considered.

Resolved:

That the current position with regard to audit investigations be noted.