

Audit and Risk Committee

Minutes - 19 September 2016

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Harbans Bagri
Cllr Jasbir Jaspal
Cllr Martin Waite
Cllr Andrew Wynne
Mike Ager (Independent Member)

Employees

Robert Baldwin	Lead Lawyer
Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Angela McKeever	Head of Skills
Claire Nye	Chief Accountant
Hayley Reid	Senior Auditor
Mark Taylor	Director of Finance
Mark Wilkes	Client Lead Auditor
Isobel Woods	Head of Enterprise

External Auditors – Gant Thornton

Mark Stock
Nicola Coombe
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 Cllrs Mary Bateman and Phil Bateman and Terry Day (Independent Member).
- 2 Declaration of interests**
Mike Ager, Independent Member declared a non-pecuniary personal interest in item 9 (Internal Audit Update – Quarter 1) in so far as it relates to Coppice Performing Arts School where he is a Governor.

Cllr Christine Mills also declared a non-pecuniary personal interest in item 9 in so far as it relates to a secondary pupil referral unit where she is a member.

3 **Minutes of the previous meeting - 4 July 2016**

Resolved:

1. That Minute 5 (External Audit Update) be corrected by the substitution of the name 'Nicola' for the name 'Emma'.
2. That subject to 1 above, the minutes of the previous meeting held on 4 July 2016 be approved as a correct record and signed by the Chair.

4 **Matters arising**

Referring to Minute 9 (Annual Internal Audit Report 2015/16), and in response to a request for an update Peter Farrow, Head of Audit reported that they would be undertaking a new audit at Coppice Performing Arts School commencing on 1 October 2016.

With reference to Minute 17 (Audit Investigations Update) Cllr Martin Waite, requested an update at the next meeting on whether the council could lock down prepaid debit cards issued to employees in order to restrict where they could be used.

5 **Annual report to those charged with Governance (ISA 260)**

Mark Stock from Grant Thornton, the Council's External Auditor presented their annual report to the Committee on the key audit findings from the Council for the year ended 31 March 2016. In doing so he informed the Committee that audit was substantially complete although they were finalising procedures in respect of a small number of areas. He anticipated that an unqualified audit opinion would be provided in respect of the Council's financial statements. He advised that a number of adjustments had been made to the Council's accounts through the audit but they did not impact on the level of resources available to the Council. Based on their value for money review, they were satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. It therefore intended to issue an unqualified value for money conclusion.

Cllr Andrew Wynne asked the External Auditors whether they were sufficiently comfortable with the robustness of the processes and plans the Council had in place to address its budget deficit. In response Grant Thornton reported that it had looked at the Council's track record and how it had performed during 2015/16, the processes for setting the 2016/17 budget and if the Council had processes in place to produce plans for future years. It would not be without challenge but with the Council's track record and the plans in place the Auditors were comfortable.

Mike Ager, Independent Member requested an update on the Auditors recommendation that going forward 'the Council consider the capacity of its finance team'. He also commented that he would have expected to have seen the management response to the Auditors recommendations which the Committee could monitor. Mark Taylor, Director of Finance reported that the Council had recognised the issue of staff resources within its Finance Team and it had been actively recruiting to posts. The Council had recruited to one of the vacant posts within the team and would be looking to review its resources to provide additional capacity within the team to deal with the Council's competing demands on the team. He

assured the Committee that there would be full staff resources in place for the audit of next year's accounts. Claire Nye, Chief Accountant added that the action plan to the audit findings and recommendations would be completed within the month. She undertook to circulate the completed action plan to the Committee. The Chair asked that the Committee receive an update report on the implementation of the action plan to a meeting in the new year.

Referring to the Auditors recommendation that 'the Director of Governance reiterate to members the importance of keeping their register of interests up to date....', the Chair also stressed the importance for all Councillors to keep their register of interests up-to-date and to update them as and when circumstances change. Robert Baldwin, Lead Lawyer, Delivery reported all members had received an e-mail to remind them of their responsibilities in his area. He also reiterated the measures previously reported to the Committee by the Director of Governance to remind members of their responsibilities and to support them to keep their records up to date. The facility existed for members to complete/amend their register of interests form online at any time. The form now referred to directorships and other trusteeships. New Councillors also received specific briefings on their responsibilities during their induction meetings.

Resolved:

1. That the 2015/16 report to those charged with governance from the Council's External Auditors Grant Thornton be noted.
2. That the completed management action plan to the Audit Findings for the Council's Statement of Accounts 2015/16 be circulated to the Committee.
3. That updates on the implementation of the action plan be submitted to future meetings of the Committee in the New Year.

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

Mark Taylor, Director of Finance presented the report on the audit of the 2015/16 Statement of Accounts.

The Chair asked whether the provision for Equal Pay within the statement of accounts was sufficient and whether the Council was getting nearer to concluding the process. Mark Taylor, Director of Finance reported that he hoped that by the 2016/17 audited statement of accounts that the Council would be able to be more clearer about the provision and include a nearer figure in the accounts. He added that the Council was monitoring and managing the issue tightly and that the provision was prudent.

Responding to the Chair's question on the level of reserves the Council held and whether they were sufficient given the savings the Council needed to deliver, Claire Nye, Chief Accountant assured the Committee that the provision for reserves were sufficient. The Council had looked at all reserves to determine whether they are appropriate. She outlined the sums set aside within each of the reserves and reported that they were continually reviewed throughout the year. She also confirmed that the Council's Confident, Capable Council Scrutiny Panel would continue to scrutinise the reserves and their appropriateness.

Resolved:

1. That the formal publication of the 2015/16 Statement of Accounts, as required by the Accounts and Audit Regulations 2011, which require publication by 30 September be approved.
2. That authority be delegated to the Chair of the Audit and Risk Committee to agree subsequent changes to the Statement of Accounts in consultation with the Director of Finance should there be any audit adjustments.
3. That it be noted that the Council's External Auditors intend to issue an unqualified opinion on the Statement of Accounts 2015/16, subject to the outcomes of remaining elements of audit work.
4. That it be noted that the External Auditors have identified no material errors which are expected to remain unadjusted in the amended Statement of Accounts.

7 **Internal Audit Charter - Annual Review**

Peter Farrow Head of Audit, presented for review and approval the internal audit Charter. The charter was first introduced and approved by the Audit Committee in September 2013.

Cllr Martin Waite commented that with council's outsourcing more services, he suspected that the external service providers might not be as forthcoming as internal services when receiving demands for information and explanations as Audit Committees consider necessary to fulfil their responsibilities. He asked how Audit Services would reflect this new world where services are outsourced and how the local authority could ensure it obtained value for money and ensure that fraud was not taking place. The Head of Audit reported that this was an additional layer of complexity. For some new arrangements, the Council would seek to negotiate that the Local Authority had certain levels of information and access to the internal audit teams of the providers of the outsourced services. Internal Audit was managing this at the moment. With the long-established arrangements with providers Wolverhampton Homes and the West Midlands Pensions Fund the arrangements were reasonably straight forward.

Cllr Martin Waite also asked how the local authority would be able to detect fraudulent activity or manage the fallout of any fraud relating to any of its outsourced services. The Head of Audit reported that the Council would make sure that it had a strong assurance framework in place to manage the area the council was responsible for.

The Chair referred to the recent training session for Audit and Risk Committee members with External Auditors, Grant Thornton. He suggested that it would be good for the Committee to meet with the Auditors in private once a year to discuss any. The Head of Audit commented that it was good practice to meet with them in private at least once a year and subject to the wishes of the Committee a meeting would be scheduled. The Chair agreed and suggested that the private meeting with the Auditors be scheduled alongside a programmed meeting of the Committee.

Resolved:

1. That the Internal Audit Charter as approved by the Audit Committee in September 2013 and as now amended to reflect the introduction of a Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing be approved.
2. That a private meeting with Grant Thornton be scheduled alongside a programmed meeting of the Committee.

8 **Strategic risk register and strategic assurance map**

Peter Farrow Head of Audit 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. Angela McKeever, Head of Skills and Isobel Woods, Head of Enterprise were also in attendance at the meeting for this item and they gave a brief overview in respect of strategic risk 2 - skills for work and how the risk was being managed.

Members of the Committee welcomed the report particularly the proposals aimed at skilling young people; the involvement of schools and plans to make them more aware of what apprenticeships can offer young people; the Council acting as a broker with commercial organisations and people seeking work, particularly older people who might not have the skills or are struggling to make the changes from the old economy to the new economy; action to target young people who might need extra supports with their English and mathematics and in conveying the messages to schools regarding attainment in English and mathematics being critical to their future to future life chances.

The Head of Skills and Head of Enterprise responded to the Committee's questions and observations on the above points and also respond to the Committee's questions on whether funding for this particular area of activity was time-limited; the percentage of funding that was targeted through the voluntary sector; engagement with business; the strong emphasis on interview skills/employability progress; the risk; whether all the 1500 jobs were filled at the jobs fair; and on the marketing of the Jobsbox.

The Chair reported that given the recent Local Government Association Finance Peer Review recommendations regarding the medium term financial strategy (MTFS) he requested a presentation on the MTFS to a future meeting.

Resolved:

1. That the strategic risk register at Appendix A to the report be noted.
2. That the reduction in the assessment of the following risks be noted:
 - Risk 14 – School Improvement.
 - Risk 15 – Emergency Planning.
3. That the amendment to the risk descriptor for risk 4 – Medium Term Financial Strategy in order to reflect the findings of the recent LGA Finance Peer Review be noted.
4. That it be noted that the Council is considering the implications of Brexit. Grant Thornton would be facilitating a session with the senior leadership team to discuss any risks, opportunities and mitigations arising from Brexit. Any new

risks that require inclusion in the strategic risk register or any changes to the assessment of the current risks would be reported to a future Audit and Risk Committee meeting.

5. That the main sources of assurance available to the Council against its strategic risks be noted.
6. That a more detailed report on how the Council is managing the risks around the Medium Term Financial Strategy be brought to the next meeting.

9 **Internal Audit update - quarter one**

Peter Farrow, Head of Audit presented the update report on progress made against the 2016/17 audit plan and on recent audit work that had been completed.

The Chair questioned the number of 'substantial' level of assurance reports that had been issued and how this compared to previous years. The Head of Audit reported that the results from the schools the Audit team visited were better than in previous years.

Resolved:

That the contents of the report be noted.

10 **Audit Services - Counter Fraud update**

Mark Wilkes, Client Lead Auditor, outlined the salient points of the latest update on current counter fraud activities undertaken by Audit Services. He particularly highlighted that information related to fraud and corruption being extensively revised on the Council's website and also reported on the whistleblowing policy review.

The Committee discussed the results from the latest National Fraud Initiative data matching exercise.

The Chair asked whether there had been an increase in the number of concerns raised since the article on the Council's whistleblowing policy in City People (published on 13 July 2016). The Client Lead Auditor advised that he had not seen a marked increase in issues raised and it was consistent with the usual steady flow.

Cllr Martin Waite asked whether the Audit team monitored the continued employment status of employees who raised issues through the whistleblowing policy so they and others could be assured that there would be no repercussions in job prospects as a result to reporting an issue. The Head of Audit reported that he was unaware of any such issues arising and reported that the service will look to receive feedback from whistleblowers on how they felt the issue they reported had been dealt with. He undertook to present that information to the Committee.

Resolved:

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

11 **Payment Transparency**

Peter Farrow, Head of Audit updated the Committee with the current position regarding the Council's publication of all its expenditure activity since the last meeting of the Committee. Since the last report to the Committee in July 2016 there had been no requests 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.

12 **CIPFA Audit Committee update - issue 20**

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 20 – CIPFA survey on Audit Committees 2016 be received and noted.

13 **Audit and Risk Committee - Knowledge and skills framework**

Peter Farrow, Head of Audit asked members of the Committee to complete a self-assessment exercise form on knowledge and skills as part of stage two of the Committee's self-assessment process.

Resolved:

That a report on the results of the self assessment exercise be submitted to the next meeting of the Committee.

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

15 **Audit investigations update**

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

During the ensuing discussion and in response to questions raised the Client Lead Auditor reported that there were currently 6/7 on-going audit investigations and that the p-cards referred to in the p-card audit investigation were not contactless enabled but required a pin number.

Resolved:

1. That the update on the audit investigations be noted.
2. That an update on any action taken in relation to the findings from the p-card audit investigation be submitted to the next meeting.