Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Sohail Khan (Vice-Chair)
Cllr Obaida Ahmed
Cllr Harbans Bagri
Cllr Jasbir Jaspal
Cllr Barbara McGarrity
Mike Ager (Independent Member)
John Humphries (Independent Member)

Employees

Emma Bland  Finance Business Partner
Peter Farrow  Head of Audit
Dereck Francis  Democratic Services Officer
Claire Nye  Director of Finance
Laura Palmer  Projects and Programmes Manager
Hayley Reid  Senior Auditor
Alison Shannon  Chief Accountant
Mark Wilkes  Audit Business Partner

In attendance

Bob Hide  Advisor, Equib Risk Management

Part 1 – items open to the press and public

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Apologies for absence were submitted on behalf of Councillors Mary Bateman and Philip Bateman MBE.

| 2 | Declaration of interests |
No declarations of interest were made.

| 3 | Minutes of previous meetings |
Resolved:
That the minutes of the meeting held on 11 June 2018 be approved as a correct record and signed by the Chair.

| 4 | Matters arising |
There were no matters arising from the minutes of the previous meeting.
Audited Statement of Accounts 2017-2018

Mark Stocks from the Council’s external auditors, Grant Thornton, took the Committee through the report on the findings from their audit of the Council’s Statement of Accounts for 2017/2018. He informed the Committee that the audit had been completed and that an unqualified audit opinion would be issued in respect of the Council’s Financial Statements and an unqualified value for money conclusion on the Council’s value for money arrangements.

John Humphries, Independent Member asked about disclosure errors highlighted during the audit and whether there would be any penalty from Government as a result of the finding. Grant Thornton reported that the error had only occurred in the draft statements of accounts. There would be little impact from Government because of the error.

The Chair asked Grant Thornton to elaborate on the finding that progress on the Strategic Asset Management Plan (SAMP) being slow. Grant Thornton advised that the Strategic Asset Management had been looked at during last year’s audit of the Council’s Statement of Accounts. Progress had been made but the proposal had commenced in 2016 or earlier. Given that it was one of the Council’s areas of focus it seemed that the Council had not gone at a pace on this issue. He wondered whether there had been a lack of focus in this area because of the focus on the Markets Relocation, the Interchange (Train Station) and Civic Halls refurbishment.

Claire Nye, Director of Finance added the Council’s Strategic Executive Board (SEB) would say the same. She was pleased to see progress on the data management (Focal365) and felt confident that the Council had accurate data on its assets. She indicated that the SAMP had not moved at a pace the Council would have liked to have seen and undertook to take the point back to the Strategic Executive Board with a view to getting some movement on Strategic Asset Management, as well as a request from the Committee to have an update on the matter to the Committee following the October 2018 Cabinet meeting.

The Chair commented that given the tight deadline for completion of the audit of the Accounts it was an achievement that the papers were available for the Committee. He thanked Grant Thornton and the Council’s employees for all their hard work in meeting the deadline for the completion of the successful audit.

Resolved:

1. That the formal publication of the 2017-2018 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 31 July 2018 be approved.

2. That the draft Management Representation letter which would be signed by the Director of Finance on behalf of the Council be approved.

3. That authority be delegated to the Chair of the Audit and Risk Committee to agree subsequent changes to the Statement of Accounts and Management Representation letter in consultation with the Director of Finance, should there be any audit adjustments.

4. That the 2017-2018 report to those charged with governance from the Council’s External Auditors, Grant Thornton be noted.
5. That an update on the Strategic Asset Management Plan be submitted to the Committee’s December 2018 meeting.

6. Strategic Risk Register and Strategic Assurance Map

Hayley Reid, Senior Auditor, outlined the changes to the strategic risk register since the March 2018 meeting of the Committee.

Councillor Harbans Bagri asked whether the Council had made any changes to its management structures as a result of the lessons learned reports on the Markets Relocation, the Interchange (Train Station) and the Civic Halls Refurbishment and whether there were any other old capital projects that may have similar issues to those highlighted in the lessons learned reports. The Senior Auditor reported that work on the abovementioned capital projects had commenced several years ago when different controls were in place. The new controls and project management arrangements in place would be applied in respect of the three capital projects going forward and for other capital projects. Laura Palmer, Projects and Programmes Manager added that her team shared information with the Senior Auditor on a monthly basis. One of the issues from the lessons learned reports was about strengthening existing processes and having open and honest reporting on projects/programmes.

The Chair asked when the Committee would see an indication that the recommendations from the lessons learned reports would be implemented. The Senior Auditor advised that some of the recommendations had already been actioned and a report on progress would be submitted to the meeting on 17 September 2018.

John Humphries, Independent Member commented that given the Committee met quarterly, was there a dynamic reporting mechanism whereby the Chair of the Committee could receive early warning of any problems. Peter Farrow, Head of Audit reported that he had regular catch up meetings with the Chair and anything of significance would be flagged in those meetings.

Councillor Jasbir Jaspal commented that she was not clear on the role and function of Corporate Landlord and would welcome a briefing. Claire Nye, Director of Finance reported that it could be combined with the report on the Strategic Asset Plan referred to in minute 5 above. In response to a further question from Councillor Jaspal on Finance and Legal Services input and involvement in contracts for capital projects, the Director of Finance reported that her team had a lot of involvement in projects. The lessons learned reports addressed the point of the Procurement Team’s involvement in projects at an early stage. The Strategic Finance and Procurement teams were getting stronger. Legal Services would also be involved in the drafting of contracts.

Councillor Barbara McGarrity noted that risk 30 - Civic Hall was categorised risk red. She asked when the Committee would receive regular updates on the costs of the programme. The Head of Audit reported that the Committee’s role would be to monitor progress on the implementation of the recommendations from the lessons learned report and to provide independent assurance on the adequacy to the Council of the risk management framework and internal control environment. Where appropriate costs would be included in the update report to Risk Register report, otherwise the Cabinet (Resources) Panel as well as the appropriate scrutiny panel would be monitoring the costs of the programme.
Councillor Harbans Bagri noted that the Council secured external support/advice for some of its projects. He asked what in house evaluation the Council carried out on the costs and delivery of projects and whether the Council followed any Government standards. The Chair advised that part of the role of Bob Hide, Equib would be to undertake benchmarking and provide that oversight for the Committee and the Council. Bob Hide, Equib then went on to explain in more detail his role to make sure that the benchmarking scrutiny is there.

Referring to the risk 9 - City Centre Regeneration, Councillor Jasbir Jaspal commented that a lot of regeneration activity was taking place in the city. She asked for an update on the city’s regeneration strategy. The Chair advised that the Cabinet Member for City Economy attended a recent meeting of the Stronger City Economy Scrutiny Panel where a discussion took place on the draft Strategic Economic Plan. He did not wish to duplicate those discussions. He also reported that the Committee received an update on City Centre Regeneration from Paul Lakin, Head of City Development at its meeting on 12 March 2018. He suggested that the appropriate officer could be invited back to a future meeting.

Referring to risk 8 – Business Continuity Management, the Chair asked when the transfer of the day to day management and delivery of the Council’s Emergency Planning and Business Continuity management service to the West Midlands Fire and Rescue Service (WMFS) under a Collaborative Agreement would happen and whether WMFS were happy to enter into this type of agreement with the Council. The Senior Auditor reported that they were working towards it happening in the summer and that as far as she was aware WMFS were happy with the arrangement.

The Chair suggested that risk 32 – Waste Management Services be considered at the next meeting and the risk owner be invited to attend.

Resolved:
1. That it be noted that three new risks have been added to the register:
   - Risk 32 – Waste Management Services
   - Risk 33 – Governance of Major Capital Projects and Programmes
   - Risk 34 – Wolverhampton Interchange Programme (Train Station)

2. That it be noted that Risk 31 – City of Wolverhampton College had been archived, a memorandum of understanding has now been agreed. A low-level risk has been added to the Corporate department’s risk register regarding the ongoing partnership with the College and a possible call on guarantees provided by the Council.

3. That the change in the target date and target score for the following risks be noted:
   - Risk 7 – Safeguarding
   - Risk 22 – Skills for Work and Economic Inclusion
   - Risk 24 – Maximising Benefits from the Combined Authority.

4. That risk 32 – Waste Management Services be considered at the next meeting and the risk owner be invited to attend.
Audit and Risk Committee Annual Report - 2017-2018

Peter Farrow, Head of Audit asked the Committee to endorse the report which summarised the principal areas of work undertaken by the Committee during 2017/2018. He proposed to take the annual report to Council.

The Chair thanked existing and former members of the Committee for their valued contributions to the work of the Committee during 2017/2018.

Resolved:
That the Audit and Risk Committee Annual Report for 2017/2018 be endorsed and referred to Council for approval.

Audit Services Counter Fraud Update

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

Councillor Sohail Khan referred to the National Fraud Initiative’s (NFIs) data matching exercises and matches on ‘housing benefits claimants to DWP Deceased’. He asked how the Council was processing information it received on the notification of a deceased person and whether the it was making use of the ‘Tell Us Once Service’ in relation to notification of the death of a person. The Audit Business Partner clarified that the cases in the report were not related to the deceased. On the ‘Tell Us Once Service’ it was voluntary and not everyone used it to report a death to government organisations in one go. The Council does receive information through the service. However, if someone was contemplating fraud they were unlikely to use the service.

John Humphries, Independent Member asked why the Council could not use information it had from the Registrars Service to detect possible fraud. The Audit Business Partner reported that information from the Council’s Registrars service was Government information and not the Council’s data. The Council Tax Service had a right to receive the information direct but other Council service departments did not.

Councillor Obaida Ahmed asked what action was being taken to stop tenancy sub-letting of properties and how likely is was that the Council would recover the value of the fraud from the 16 cases highlighted in the report. The Audit Business Partner reported that it would be difficult to recover the value of the fraud from some of the tenants because they have little or no assists to claim against. Peter Farrow, Head of Audit added that the notional savings value of £93,000 referred to in the report was based on future use of the property rather than actual loss of income.

The Chair commented that he understood that fraud from the single person council tax discount was difficult to a track. The Audit Business Partner reported that the Council Tax serviced carried out a management exercise to check the possibility of false claims for the single person discount. The Chair asked what information was sent out to households to discourage abuse of the discount and whether information was included with the Council tax bills asking the public to notify the Council if they are no longer eligible for the discount. The Audit Business Partner confirmed that information was posted out with council tax bills.

Resolved:
That the contents of the latest Audit Services Counter Fraud Update be noted.
9 Payment Transparency
Peter Farrow, Head of Audit presented the report on the latest position on the Council’s payment transparency activity. Since the last report to the Committee in March 2018 there had been no requests 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.

10 CIPFA Audit Committee Update
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 developing an effective Annual Governance Statement.

The Chair asked that arrangements be made for the Committee to receive training during Autumn. Peter Farrow, Head of Audit reported that he would liaise with Grant Thornton to deliver a training session prior to the next meeting.

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

11 Wolverhampton Interchange (Train Station) - Lessons Learned Update
Peter Farrow, Head of Audit presented for information an update on the Wolverhampton Interchange (Train Station) lessons learned report that was presented to the Audit and Risk Committee on 25 June 2018. Specifically, in response to a concern expressed by the Project Manager that paragraph 4.1.9 of the report was factually incorrect.

Having reviewed the paragraph, and following discussions with the Project Manager, it appeared there had been a misinterpretation of the paragraph. The comments in the report related to a period in time and did not reflect the current position on the scheme. Based on the matter being clarified there was no proposal to either remove the paragraph from the lessons learned report or change it.

Bob Hide, Equib added that the misunderstanding arose from the time line approach used in the presentation of the information in the report and there was no need to amend the lessons learned report.

Resolved:
That it be noted that following consideration of the report at the Committee meeting of 25 June 2018, it had been confirmed that paragraph 4.1.9 of the audit report was factually correct resulting in no changes being required to the original report.
12 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, closed to press and public

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

Referring to the first audit investigation report, John Humphries, Independent Member asked whether the Council had any specific issues with arms length management organisations who are contracted to provide services on behalf of the Council. The Audit Business Partner reported that the issue in the report concerning the two organisations who are contracted to provide services on behalf of the Council had been brought to the Council’s attention. Action was therefore taken to investigate the matter in order to protect the Council’s interests.

Resolved:
That the update on the internal audit investigation be noted.