

Audit and Risk Committee

Minutes - 14 March 2016

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Philip Bateman
Cllr Keith Inston
Cllr Jasbir Jaspal
Mike Ager

Employees

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|----------------|----------------------------|
| Ian Cotterill | Client Lead Auditor |
| Peter Farrow | Head of Audit |
| Dereck Francis | Democratic Support Officer |
| Julien Kramer | Director of Education |
| Claire Nye | Chief Accountant |
| Mark Wilkes | Client Lead Auditor |
| Mark Taylor | Director of Finance |

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 Cllrs Harbans Singh Bagri, Patricia Patten and Stephen Simkins, and Terry Day (Independent Member).
- 2 **Declaration of interests**
Cllr Christine Mills and Mike Ager (Independent Member) both declared an interest in agenda item 10 in so far as they are Governors of schools referred to in the report.
- 3 **Minutes of the previous meeting (14 December 2015)**
Resolved:
That the minutes of the meeting held on 14 December 2015 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.

5 Audit and Risk Committee - Terms of Reference

Peter Farrow, Head of Audit asked the Committee to undertake its annual review of the terms of reference to ensure they remained fit for purpose and reflected best practice . He reported that since the last review the name of the Committee had been changed to reflect the increased emphasis placed upon risk management across the Council. Following the recent formation of the new Corporate Assurance team, the terms of reference had also been amended to include regular assurance reports from the team.

Resolved:

That it be noted that the terms of reference for the Committee are in line with recognised best practice.

6 External Audit Plan 2015/16

Nicola Coombe from the Council's external auditors Grant Thornton presented an overview of their external audit plans for the Council for the year ending 31 March 2016.

During the ensuing discussion members of the Committee referred to the different approaches of the Council and Grant Thornton in terms of risk and the Council's strategic risk register and the External Auditor's risk assessments. They asked whether the Auditors worked with the Council's Internal Audit team in order to avoid duplication of effort. In response Nicola Coombe and Mark Stocks, Grant Thornton reported that all the work to assess risks is working to a common good. The Council's strategic risks were about looking at the Council delivering its strategic priorities. These risks would be picked up in the Auditors work on the Council's 'value for money' arrangements. They would also take note of risks the Committee flagged and feedback from the Council's Internal Audit team. During the external audit they are looking for errors (misstatements) and that they are below the materiality level in order to give the Council some assurance about its Financial Statements and that they complied with all relevant accounting standards and codes of practice. Grant Thornton also reported that they had regular contact with the Council's Internal Audit team to ensure anything flagged up by them was included in the external audit plans. In addition when Grant Thornton undertook their walk through of the Council's controls they used the work of Internal Audit to help them with their understanding of how the Council worked.

The Chair confirmed that the regular contact meetings between Internal Audit, the Council's External Auditors and himself had been formalised. He went on to ask how the External Auditor fees compared to previous years and the work involved in 'the non-audit services (income generation)'. Grant Thornton reported that the 2015/16 fees were lower than in the previous year. The non- audit services work would involve the recovery of money where the Council may have been mis-billed for its utilities; as well as work to assist the Council in finding income from other sources.

Resolved:

That the External Audit plan 2015/16 from the Council's External Auditors, PwC be noted

7 Communications with the Audit and Risk Committee

David Roper, Grant Thornton presented a report that aimed to contribute towards the effective two way communication between the Auditors and the Committee as 'those charged with governance'. The report covered some important areas of the auditor

risk assessment where they are required to make inquiries under auditing standards. It included responses from the Council's senior management to a series of questions that had been put to them as part of the Auditor's risk assessment procedures

The Committee was asked whether the responses were consistent with their understanding and whether there were any further responses it wished to make.

The Chair welcomed the report and asked whether it would be a regular item on the Committee's agenda. David Roper advised that it would be presented to the Committee about this time of the year on an annual basis.

Resolved:

That the report be received and noted.

8

External Audit Update

Nicola Coombe, Grant Thornton presented a report which included an update on progress made against their Audit Plan; a note on emerging national issues; and a number of challenge questions for the Committee to consider.

Following the presentation the Chair asked Mark Taylor, Director of Finance whether his team would be considering the issues raised in the challenge questions. The Director of Finance reported that Claire Nye, Chief Accountant and her team were mindful of the changes taking place this year and in the coming years and were working on the issues raised in the challenge questions. The Chief Accountant gave more detail on the activity taking place. Regarding on-going work relating to Network assets, the Chief Accountant indicated that this could be reported back to the Committee if so wished. The Chair asked that she liaise with the Head of Audit on the possibly of scheduling this as a future agenda item.

Cllr Phil Bateman commented that the non-domestic (Business) rate appeals were important for the Council, particularly with the diminishing grant the Council receives from central government. He asked about the scale of the non-domestic appeals in the city, the time it takes for an appeal to be determined and the monetary value of the appeals. The Chief Accountant advised that there was a delay at the Valuation Office. Cllr Bateman requested a report spelling out the way the slowness of the appeals process would affect the Council now and in the future. The Chair agreed with the request and asked that the report be presented to the next meeting.

Mike Ager, Independent Member asked whether there would be any value in the Committee gaining a better understanding of CFO insights (the online analysis tool). The Director of Finance reported that the tool was insightful and once his team got use to using the tool and understanding its capabilities he could arrange for members of the Committee to receive a demonstration if so wished.

Resolved:

1. That the report from Grant Thornton be noted.
2. That a report on the scale of the backlog of non-domestic evaluation appeals; the length of time the appeals process is taking and the effect this is having on the Council now and in the future be produced for the next meeting.

Strategic Risk Register and Assurance Map

Peter Farrow, Head of Audit, presented a report on the key risks the Council faced and how it could gain assurance that these risks are being mitigated.

In accordance with the request at the last meeting, Julien Kramer, Director of Education was in attendance and presented an update on strategic risk 14 – school improvement and the contribution his directorate make to strategic risk 2 – skills for work.

During the discussion on the Director's presentation Cllr Phil Bateman commented that the Council did not appear to put sufficient inference on its early years provision. Given that it was the main building block as a child moved into primary education he felt that not enough had been made of this in the paper tabled by the Director. He suggested that paragraph 2.3 of the Director's report could be expanded in terms of early years.

Members of the Committee expressed concern and disappointment that the Director's report indicated that schools in Wolverhampton were not taking up opportunities at Jaguar Land Rover Education Centre. They queried why the Head Teachers were not seeing the positives of the Education Centre located on the Council's doorstep. They asked what action was being taken to establish why Wolverhampton's schools were not making use of the Education Centre and action proposed to reverse the position.

In response to the Committee's questions and observations, the Director of Education reported that:

- The picture regarding early years' provision in the city was mixed with some outstanding provision and some not doing as well as the local authority needs them to. The Local Authority does have a link process to Key Stage 1 and the latest performance profile could be evidenced to the Committee.
- The pathway initiative was reinvigorating best practice.
- There are many different categories of schools in the city. The Council's approach is that they are all there to educate children and therefore there was a common cause. We all know what to do and we must go out and do it and find a way of delivering.
- All academies and Head Teachers have signed up to a way of working together in the interests of the City's young children.
- In terms of sixth form provision, the City does well for children who are able but there are other children who need post 16 education who are not getting the provision they should. Therefore, we are seeking to influence change in terms of the vision the Council has.
- He was looking into the reasons why every Wolverhampton secondary school were not taking up the opportunities at JLR Education Centre. He had met with secondary head teachers and made them aware of what the Centre was and what it offered.
- In term of the timescale for achieving the target of at least 85% of Wolverhampton's school being rated good, the Local Authority was in the hands of others such as OFSTED. However, on present predictions, by the end of this calendar year he believed that the Council would achieve the target of more than 85% of its school ratings being good.

As a result of managers not recording appraisals on Agresso correctly and due to adjustments required to the data used to calculate the performance indicator, such as the removal of apprentices and employees who have been with the Council for less than six months, there had been a delay in the managing of the Employee Management risk. Therefore, the Chair asked that a report on the latest position regarding performance appraisals be submitted to the next meeting. He also invited the Committee to identify if there were any further risks that they would like to discuss further at the next meeting. The Committee agreed that a report on risk 8 - Business Continuity management be submitted to the next meeting, as a result of delays in the progress made with the development of the service resilience incident management system, and that the risk owner Linda Sanders (Ros Jervis) be invited to attend the meeting.

Resolved:

1. That the strategic risk register at Appendix A be noted.
2. That the reduction in the assessment of Risk 3 – Information Governance be noted
3. That the changes to target dates for the reduction of the following risks be noted:
 - Risk 8 – Business Continuity Management from June to December 2016 as a result of delays in the progress made with the development of the service resilience incident management system.
 - Risk 16 - Equal Pay from March to September 2016 as a result of the revised timescales by when settlement for a significant number of first and second generation claims may be reached.
 - Risk 17 - Employee Management (from March to July 2016) as a result of managers not recording appraisals on Agresso correctly and due to adjustments required to the data used to calculate the performance indicator, such as the removal of apprentices and employees who have been with the Council for less than six months.
4. That the main sources of assurance available to the Council against its strategic risks be noted.
5. That a report on the latest position regarding performance appraisals (risk 17 Employee Management) be submitted to the next meeting.
6. That a detailed report on the risk 8 - Business Continuity management be submitted to the next meeting and the risk owner (Linda Sanders (Ros Jervis) be invited to attend the meeting.

10

Internal Audit Update - Quarter Three

Peter Farrow, Head of Audit presented a report on progress made against the 2015/16 audit plan and on recent audit work that had been completed.

Referring to the audit work at Palmers Cross Primary School, Cllr Christine Mills said that she was surprised, given the school had been supported by an Interim Executive Board since November 2014, that the issues had not been resolved. The Head of Audit reported that the Council had been working with the School in ensuring improvements were being made.

Mike Ager, Independent Member asked whether the number of external complaints received about the Agresso System had diminished. The Head of Audit reported that a Benefit Realisation of the Agresso system had been conducted which had identified that improvements were being made. Ian Cotterill, Client Lead Auditor went on to explain the two main key points arising from the benefit realisation exercise.

Resolved:

That the contents of the latest internal audit update as at the end of quarter three (30 December 2015) be noted.

11

Internal Audit Plan 2016/17

Peter Farrow, Head of Audit presented the proposed internal audit plan for 2015/16.

Referring to the risk auditable area 'WV Creative and Visitor Economy', Cllr Phil Bateman commented that he believed that the Council had yet to really get to grips with this area, particular when it came to collecting data on what provision exists in the city. The Head of Audit undertook to speak to Cllr Bateman and the Chair prior to scoping the audit review work proposed under the heading 'WV Creative and Visitor Economy'.

The Chair requested details on progress made against previous plans to promote the visitor economy or actions from scrutiny reviews into the visitor economy, and the strategy of the Council to promote the City of Wolverhampton. He also asked the Head of Audit whether he had sufficient staffing resources to cope with the audit work planned for 2016/17, particularly given the recent loss of a post in his Team. The Head of Audit informed the Committee that there had been a refocus on the higher/ medium areas of audit activity and he was confident that he could deliver the audit plan for 2016/17.

The Chair also asked about the frequency of audit reviews of schools. The Head of Audit advised that every local authority school was seen on a three year cycle but as the number of local authority school reduced, the frequency of Audit Team visits would have to be looked at again.

Resolved:

That the risk based internal audit plan for 2016/17 be approved.

12

Counter Fraud Update

Peter Farrow, Head of Audit outlined the salient points of the latest update on current counter fraud activities undertaken by Audit Services.

Referring to The European Institute for Combating Corruption and Fraud (TEICCAF) fraud survey, Cllr Phil Bateman queried the results for disabled parking (Blue badge) fraud that indicated only one case detected for Wolverhampton compared to the council average of 38 cases detected. The Head of Audit explained that if it was the year when an exercise on disabled parking (Blue badge) fraud was conducted you would find more cases of fraud. He reported that Audit were keen to look into blue badge fraud and would be putting some resource into it.

The Chair asked for an update on the introduction of the Fraud App. The Head of Audit explained that the Council was going through a third party to make changes to the app and there had been delays in getting the changes made. That said the

Council was nearly ready to launch the app. The Chair asked that once the app was up and running it be publicised widely. He welcomed that the fraud app would be available on Apple and Android devices.

The Chair asked members of the Committee whether they would like to receive training on fraud awareness later in the year and if so whether an invite should be extended to other members of the Council. He also asked whether an online version of the fraud awareness training was available. The Head of Audit reported that online learning was something his team had been considering. In concluding the Chair informed the Committee that Audit member training was something that he would be looking into during 2016//17.

Resolved:

1. That the contents of the latest Audit Services counter fraud update be noted.
2. That a training session be arranged for the Committee on Fraud Awareness later in the year and that an invitation to attend be extended to other members of the Council.

13

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.

Resolved:

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

14

Related Party Declarations

Kevin O'Keefe, Director of Governance presented a report on his response to the Council's previous external auditors' findings in relation to completeness of related party declarations and their recommendations.

He reported that it was a Councillor's responsibility to disclose third party interests and dependents. To make new councillors aware of this responsibility it was highlighted in the new member induction process. All 60 councillors would be invited to the new member induction briefings taking place in May 2016 on the requirements for related party declarations. Moving forward he advised that there was a digital path whereby councillors could register their interests on an online version of the Register of Interests form and have them published instantly rather than having to fill in a paper copy.

Cllr Phil Bateman welcomed that all 60 councillors would be invited to refresher training as the declarations form was possibly one of the most important forms they would have to sign as a Councillor. He also suggested that if councillors' interests were more visible on the Council's web site councillors might be that more keen not to make mistakes.

In response the Director of Governance advised that the Council's website was constantly under review and in relation to the location of Councillors' Register of Interests forms on the Council's website it was not to dissimilar to many councils. It could be found within three/four clicks from the Council's homepage.

The Chair thanked the Director of Governance for his response. He also said that he did not believe that enough was being done to encourage councillors to keep their interests updated. The refresher briefing for all councillors would be key as well as the advent of the electronic Register of Interests form alongside the paper version.

In response to a question from Cllr Keith Inston on a related party declarations being above a threshold of £100,000, the Head of Audit explained that this related to a group delivering a welfare project. The Councillor had been appointed to the Group by the Council. The Director of Governance added that there was nothing untoward and the declaration related to an outside body to which a Councillor had been appointed. The outside body conducted its business through a company.

Resolved:

That the contents of the report be noted.

15

Review of Fraud Related Policies

The Committee was asked to review and approve updated fraud related policies and procedures.

In response to questions from the Chair, Peter Farrow, Head of Audit reported that the fraud related policies and procedures are promoted via the Council's intranet and at the seminars that the Audit team delivered in December 2015. He advised that another promotional exercise would be delivered later in the year. Regarding investigations into concerns raised through the whistleblowing policy, he informed the Committee that they are reported in the exempt report on updates on Audit investigations. For the next meeting he undertook to produce a more detailed report on activity undertaken under the whistleblowing policy.

Resolved:

1. That the following updated Council Fraud related policies and procedures be approved:
 - Anti-fraud and corruption policy and procedure
 - Whistleblowing policy and procedure
 - Anti-money laundering policy and procedure
 - Raising fraud awareness guide
2. That a more detailed report on activity undertaken under the Council's whistleblowing policy and procedures be submitted to the next meeting.

16

Audit and Risk Committee Members: - 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.

Mike Ager, Independent Member asked whether it would be helpful to use a sliding scale of 0 to 9 for responses to some of the questions.

The Chair reported that a good response had been received from members of the Committee to the last exercise (the stage one process). He noted that the membership of the Committee might change for the 2016/17 Municipal Year. With this in mind he invited members of the Committee, if they wished, to complete and return the survey. He also requested that the report be included on the agenda for

the first meeting of the Committee in the new Municipal Year to take forward the stage two review process with the 2016/17 membership.

Resolved:

That the report be submitted to the first meeting of the Committee in the 2016/17 Municipal Year.

17 Exclusion of 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.

18 Audit Investigations Update

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

Referring to audit investigation IL1271, the Chair requested that, later in the year, the Committee be provided with an assurance that the recommendations relating to training of employees had been actioned.

Resolved:

1. That the current position with regard to audit investigations be noted.
2. That a note be included in a future report to the Committee to confirm that the recommendations from audit investigation IL1271 relating to training of employees have been actioned.

19 Vote of thanks

Cllr Christine Mills placed on record her thanks and appreciation to the Chair for the able and courteous manner in which he had conducted the meeting during the Municipal Year. In turn the Chair thanked the Committee and the officers for their support and hard work during the year