



Audit Committee

Minutes - 15 December 2014

Attendance

Members of the Audit Committee

Cllr Keith Inston (Chair)
Cllr Christine Mills (Vice-Chair)
Cllr Wendy Thompson
Cllr Harbans Bagri
Cllr Philip Bateman
Cllr Alan Bolshaw
Cllr Dr Michael Hardacre
Cllr Jasbir Jaspal
Mike Ager
Terry Day

Employees

Nick Alderman	Chief Accountant
Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Richard Morgan	Senior Audit Manager
Kevin O'Keefe	Director of Governance

External Auditors

Richard Bacon	PricewaterhouseCoopers
Sophia Mouyis	PricewaterhouseCoopers

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence**
No apologies for absence were received.
- 2 Declaration of interests**
Cllr Mike Hardacre declared a personal interest in items of the agenda for the meeting in so far as they relate to the City of Wolverhampton College, the Central Learning Partnership Board and Wolverhampton Homes.

Cllrs Mike Hardacre and Alan Bolshaw and Mr Mike Ager, Independent Member all declared a personal interest in agenda item 8 (Internal Audit Update - Quarter Two), in so far as they are Governors of schools that had been subject to an audit review.

3 **Minutes of previous meetings**

(a) **Audit Committee – 22 September 2014**

Resolved:

That the minutes of previous meeting held on 22 September 2014 be approved as a correct record and signed by the Chair.

(b) **Audit (Monitoring of Audit Investigations) Sub-Committee – 3 November 2014**

Resolved:

That the minutes of the meeting of the Sub-Committee held on 3 November 2014 be noted.

4 **Matters arising**

There were no matters arising from the minutes of the previous meetings.

5 **Work Programme 2014/15**

The Committee received, for information, the work programme for the remainder of the 2014/15 municipal year.

6 **Annual Audit Letter**

Richard Bacon from the Council's auditors PricewaterhouseCoopers' (PwC) presented the annual audit letter which summarised the results of their 2013/14 audit.

Cllr Wendy Thompson asked PwC whether during the audit they had considered the transition with the introduction of the Agresso system; whether they had any concerns with it and how they viewed the system was progressing. She indicated that she had concerns that over 3000 invoices were outstanding and the impact this was having on those companies who were owed money. She sought assurance that this issue of outstanding invoices would be picked up by the PwC in their audit work with the Council. PwC confirmed that the Agresso system had featured in their audit work. The extent of payments recorded in April should be reflected in the Council's accounts. They had also carried out a high level review of the programme and concluded that it was progressing at a level that they would have expected for a programme of its size. Discussion had also taken place with the Council's senior management on how the programme was progressing. Regarding the backlog of invoices PwC reported that it was aware that Council employees were working hard to close the backlog. They would comment further during their audit for 2014/15.

Resolved:

That the Annual Audit Letter from PwC be noted.

7 **Corporate Risk Register and Corporate Assurance Map**

The Committee received an update report on the key risks the Council faces, and how it could gain assurance that the risks are being mitigated.

Members of the Committee welcomed the report as a considerable improvement on the level of information presented to it in previous years

Mr Mike Ager, Independent Member commented that there had been no downward movement on the corporate risks during the period August to November 2014. He

asked when the Committee could expect things to improve and would the targets be met. Peter Farrow, Head of Audit informed the Committee that there may be a level of cautiousness from the risk owners when scoring their risks and this would be discussed with them, however, these risks remain in key challenging areas.

Cllr Wendy Thompson noted that the Council was taking measures to mitigate the risks but that the Looked After Children (LAC) numbers were the highest in the Country and not common to other councils. She also commented on the 'skills for work' risk, indicating that the position was a sad indictment of what had gone on over the years. She also commented that she acknowledged that there was only a limited role Audit Services could play in this area, but it was important that the Council continued to monitor these areas.

Dr Mike Hardacre, commenting on the LAC risk reported that Councillors had to respect the professional judgement of its Social Workers. Steps were in place to make inroads into the LAC position but the Council had no control over the numbers. The Council had to deal with the effects of a child being in its care.

Resolved:

1. That the latest summary of the Council's corporate risk register be noted.
2. That the escalation of a risk in respect of employee management (risk 17), to the corporate risk register be noted.
3. That the main sources of assurance available to the Council against its corporate risks be noted.

8 **Internal Audit Update - Quarter Two**

Peter Farrow, Head of Audit presented the report on progress made as at 30 September 2014 (quarter two) against the 2014/15 audit plan and on recent work that had been completed. In doing so he informed the Committee that the extent of Audit service's role in the implementation of Agresso, would in all likelihood impact upon its ability to complete the number of planned audits within the current year. The service would continue to review its planned audit capacity in line with the changing risks profile of the Council and audit resources would continue to be targeted towards the high risk areas.

In response to Councillor Phil Bateman, it was reported that audit work at Coppice Performing Arts School related to advice and support the Service been asked to provide. The School accepted the actions suggested in the interim audit review. Audit would be revisiting the school to determine whether it had taken on board the advice and support offered. A full audit report would be produced and presented to the Audit Committee in due course.

In response to Cllr Wendy Thompson concerning a backlog of invoices, Kevin O'Keefe, Director of Governance reported on arrangements whereby he and the Director of Finance met daily to go through outstanding invoices and ensure that this information is cascaded down from Strategic Directors to heads of service for them to take appropriate action to ensure that invoices are moved along for payment. This process would continue until it becomes embedded within the organisation. He also undertook to asked the Director of Finance to contact Cllr Wendy Thompson direct to

give her the assurance that business are being paid and the backlog of unpaid invoices would not be repeated.

Following on from Cllr Phil Bateman's comments, Cllr Wendy Thompson requested a report to provide the Committee with an awareness of the financial picture of all secondary schools.

Cllr Mike Hardacre reiterated comments he had made at previous Audit Committee meetings regarding the financial regimes for schools over which local authorities have no control and no right of access over schools finances and the failure of the Government funding agency in being unable to oversee what is happening in schools. If the local authority cannot gain access to its schools it would end up picking up the pieces of a fractured relationship schools have with national government.

Terry Day, Independent Member referred to the 'Information governance protective marking compliance' audit area and asked whether there was confidence that council employees are not emailing information that could put the Council at risk of breach of information governance requirements. Peter Farrow reported that while this could not be prevented at the moment if an employee chooses to do this, he was confident that following the training that all employees should have undertaken on information governance, they should be aware not to do so.

Kevin O'Keefe, Director of Governance informed the Committee that the Council was trialling a piece of software that rather than the employee having to type in the protective marking classification, there would be a default of 'PROTECT' and the option for the employee to amend the classification. He anticipated that it would be in place within the next few months.

Mr Mike Ager, Independent Member also commented that he was concerned that there were four 'Limited' level assurance reports involving slack local controls. He also commented that the Audit team was pressed and the assurance map demonstrated that more work was required to show that risks are being mitigated. The Head of Audit informed the Committee that the assurance map had been based on the work that the Audit Team could deliver, which would be a good level of audit.

PwC added that the number of 'limited' assurance reports was something that they might review with the Council. In terms of the resourcing issue, PwC reported that it was vital for them that there is a realistic Audit Service. If the Committee was not receiving enough assurance about the Council's audit work, that would be something that PwC would want to discuss.

Resolved:

1. That the contents of the latest internal audit update as at the end of quarter two be noted.
2. That a report be submitted to a future meeting to give the Committee an awareness of the finances of secondary schools within the city.

9 **Payment Transparency**

The Committee received an update report the current position with regards to the publication of all of the Council's expenditure.

Resolved:

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

10 **Review of Fraud Related Policies and Procedures**

The Committee received an update on a recent review of the Council's fraud related policies. No significant changes had been made since they were last received by the Committee in March 2014, with only minor alterations being made regarding contact details.

Peter Farrow, Head of Audit confirmed that reports on concerns raised under the Whistleblowing policy and procedure and their outcomes as necessary would be reported to the Audit (Monitoring of Audit Investigations) Sub Committee.

Resolved:

That the review of the undermentioned Council's fraud related policies and procedures be noted.

- Whistleblowing policy and procedure
- Anti-fraud and corruption policy and procedure
- Anti-money laundering policy and procedure
- Raising fraud awareness guide

11 **Benefits Fraud Sanctions 2013/14**

The Committee received a report on the number of benefit fraud sanctions undertaken during 2013/14.

Resolved:

That the final position as at 31 March 2014 of the sanction results for the Benefit Fraud Investigation Team be noted.

12 **Budget Update and Review**

The Committee received an update report on the Council's finances that referenced reports approved by Cabinet and Cabinet (Resources) Panel on the Council's budget and medium term financial strategy and revenue budget monitoring 2014/15 as at the end of quarter two.

Resolved:

That the report be noted.

13 **Annual Governance Statement Update**

The Committee received a report on progress made in addressing key improvement areas identified in the 2013/14 Annual Governance Statement action plan.

Referring to the key improvement area, 'schools improvement', Cllr Alan Bolshaw asked what percentage of the 28 schools that did not attend a working session to review the School Improvement and Governance Strategy, were academies. He also commented that the level of non-attendance at the session reflected the risks

referred to in other reports on the agenda for the meeting. He also asked how the Council could engage with those schools who did not attend the session. Kevin O'Keefe, Director of Governance reported that this would be something that the new Director of Education would be concentrating on. He also informed the Committee of work taking place to re-launch the trading services offer to schools in February 2015. This would be one way of getting buy in from schools, including academies, for what the Council is trying to achieve in terms of school improvement.

Resolved:

1. That the progress made in addressing the key improvement areas identified in the 2013/14 Annual Governance Statement action plan be noted.
2. That the Director of Education be requested to attend a meeting of the Committee on 9 March 2015 to discuss progress with the issues raised by the Committee in relation to schools, and school engagement and risk.