

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT  
COMMITTEE  
HELD ON THURSDAY, 17 OCTOBER 2019**

**COUNCILLORS**

**PRESENT** Mahym Bedekova, Tim Leaver, Dinah Barry, Charith Gunawardena, Lee David-Sanders and Peter Nwosu

**ABSENT** Huseyin Akpinar, Birsen Demirel, James Hockney and Claire Stewart

**CO-OPTED**

**OFFICERS:** Fay Hammond (Acting Executive Director Resources), Matt Bowmer (Interim Director of Finance), Gareth Robinson (Head of Corporate Finance), Gemma Young (Head of Internal Audit and Risk Management) and Metin Halil (Secretary)

**Also Attending:** David Eagles (BDO), Lucy Trevett (BDO)

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**WELCOME AND APOLOGIES FOR ABSENCE**

Councillor Bedekova (Chair) welcomed everyone to the meeting.

Apologies for absence were received from Councillors Stewart, Demirel and Akpinar

Apologies for lateness were received from Councillors David-Sanders, Gunawardena and David Eagles (BDO).

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**DECLARATION OF INTERESTS**

There were no declarations of interest.

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**ORDER OF AGENDA**

**AGREED** that the order of the agenda be varied, due to David Eagles (BDO) being held up in traffic.

The minutes follow the order of the meeting.

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**STATEMENT OF ACCOUNTS - ACTION PLAN UPDATE**

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RECEIVED a verbal update on the Action Plan for the Statement of Accounts from Gareth Robinson (Head of Corporate Finance).

### NOTED

1. The Finance team had already started a process for an improvement plan. Gareth would be providing a one-page briefing note to members on what has been done to date.
2. Four major things have happened:
  - a. The had provided a workshop yesterday, regarding HRA valuations. Looking at archetypes and all the issues raised last year. Finance think it is more likely to be in the order of 300 archetypes which equates to 300 beacon values of properties rather than the current 24 archetypes. So, in practise it demonstrates what a large change the team are looking at going forward.
  - b. Work had also begun around commissioning documents and have produced a draft commissioning document for both valuation firms. In line with that, the valuation firms were meeting with Gareth Robinson tomorrow. He was trying to get out a final commissioning document by the weekend and raise purchase orders before going on annual leave.
  - c. Schools' had been quite late in providing valuation information which had been received by 15 May 2019. However, the information was received by finance and they could consolidate these within the accounts for 2018/19. Going forward, finance have met with the individual who runs the company supporting most schools. He has suggested certain changes in financial key processes that have to be supported i.e. support from workshops. A letter will be sent to all headteachers, after half term, explaining what's going to happen and why. Finance will be looking to see what they can do to support schools in this process i.e. payroll – completing tasks in-year rather than end of year.
  - d. Finance had already instructed an individual to start looking at provisions and to start working through those. Finance have a very traditional back-up provision model and need to agree to a new model which matches the credible ranges of the IFRS (International Finance Reporting Standards) changes. Those changes came into place in 2018/19 and that process had already begun.
3. In November 2019, the external auditors (BDO) are coming in to the council to start reviewing some IT controls. A document would be sent to BDO stating the times of year finance expect them to come to the council and why. During this period, finance will ensure that as much information as possible is sent to BDO, up front, so that they can review things much earlier in November, December and January and not in February, March or April, which is what has happened right now. This is broadly what Finance have been doing to date and in future, Gareth Robinson would be submitting a one-page document to Members.
4. One other thing that remains a risk are Finance's staffing skills and the resources within the team. This would need to be fast tracked and may

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well mean that the section would need to use interims again this year as the person that had been recruited is now leaving the council. Despite all the risks finance would need to find the right person for the post.

5. The following questions, statements and queries raised in response to the update:
  - a. In response to Councillor Barry's question about the number of staffs who work in Corporate Finance, it was clarified that the key posts the Head of Corporate Finance, Chief Accountant and the person that does the capital accounting. So, there are 3 key posts and each of these are specialist roles which are not easy to deputise to. This structure was not unique to this council. There are around 65 FTE's in the finance team to do i.e. budget monitoring, corporate, pensions, capital programme, etc. Fay Hammond also clarified that the council's finance team was very slim.
  - b. Peter Nwosu (Independent Member) commented that where there is a risk there are different ways to deal with it. Can the risk be solved by putting more resources in as the team is slim or do you automate? Does the team look at its workload and the opportunities for transformation? Fay Hammond clarified that in the fuller action plan there are a combination of those things. A specialist is needed to drive the automation changes out and to recognise what those are. It's a combination of people leaving with their skill sets and interim appointments causing problems and historic issues. The finance team cannot close-down the accounts, next year, without a Chief Accountant. The post is currently vacant, and that person is needed with the right skill set driving things forward. This is a big risk.
  - c. Councillor Leaver clarified that this was specifically to do with closing the accounts and the process. The council also has some new challenges coming through i.e. financing Meridian Water Project, so the team would also need to take these into account. So, this action plan was not covering those and is only about covering the statement of accounts. Matt Bowmer (Director of Finance), also clarified that key officers are looking at the resource across the whole finance team, where the priorities are i.e. volume of journals, level of recharges, lack of automation to free up officer time, mix of roles within the team and the extent to which finance supports its cost managers. Finance are looking at multiple ways of stretching its team as far as it could.
  - d. Councillor Barry asked about the recent sickness within the Insurance Team. Gemma Young (Head of Internal Audit & Risk Management) clarified that her immediate and long-term plan is to have a shared insurance service with two other Local Authorities in London. She hadn't been able to get cover for long term sickness recently. However, she would be recruiting more apprentices for the medium term for the Insurance team.

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Gemma Young was also the Head of Internal Audit for Waltham Forest, so there was a shared service already in place.

- e. Councillor Barry enquired if a shared service can be put in place for Finance to cover the specialist shortage regarding the Chief Accountant post. Fay Hammond clarified that that would be different for that role because of the intensity of work that is needed in a short period of time. That would carry a risk and the team should concentrate on the action plan in place for the statement of accounts and to get the right person in place that is needed.

The Chief Accountant role was very difficult to recruit to and develop. The team would like to consider having a deputy Chief Accountant, by training someone within the team to provide team resilience. Gareth Robinson provides resilience within the team. The previous post holder did not possess the specialist skills Gareth Robinson has.

- f. Peter Nwosu (Independent Member) asked why the council could not get a Chief Accountant from the market place rather than train someone for 2 years. Gareth Robinson clarified that it was difficult to bring in a temporary Chief Accountant, at a daily rate of £800, and takes 2 years to train someone. The team need to have someone in post straight away, however, there is a shortage in the financial sector.
- g. Councillor Leaver's comments that he was unaware of the sickness in the Insurance team. Given that, the council may have to look at technically skilled staff in departments and be mindful not to lose them i.e. planning department does have a recruitment issue. As a council, given there are new projects coming in, there is going to be pressure on these skills and the council may need to build some capability & flexibility and know that it has some headroom to perhaps even share services with other councils.
- h. Fay Hammond confirmed that officers would be sending out reports on the action plan and send those between meetings as the next scheduled committee meeting is in January 2020.

**ACTION: Gareth Robinson (Head of Corporate Finance).**

**AGREED** to note the verbal update on the Action Plan to the Statement of Accounts.

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### **FINANCIAL RESILIENCE UPDATE INCLUDING MANAGING THE SAVINGS**

RECEIVED the report of the Acting Executive Director Resources presenting the Financial Resilience update.

NOTED

1. The report was presented by Matt Bowmer (Director of Finance).

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2. He would be talking about a couple of key points from the Executive summary, as detailed at page 1 of the 'To Follow' report, and the omission of useful information around the Dedicated Schools Grant (DSG) and a specific element around the Highmeads block, that provides special schools support for children that have specific educational needs in main stream schools. It is an area of local authority funding and has a large amount of pressure nationally and across London.
3. Enfield had fared well compared to some neighbouring local authorities and that element of our DSG was £47m. The bulk of it going into the schools' funding formula. Up to last year the department was broadly in balance but are experiencing pressures in this financial year. At the end of the first quarter in September, the department were £2m in arrears and is increasing. Some of that is due to not enough provision in the borough, so places for children are being sought out of the borough which can be expensive. Extra provision had been created at the council's own special schools. Because of the demographic pressure in this area, the council needs to staff up its own teams including the need to employ more educational psychologists. Some of these pressures are due to grant levels not keeping track with rising demand.

The education department at Enfield are looking at increasing school places i.e. Durant's School, to take the pressure off the borough.
4. There is no overall conclusion about the state of the council's financial resilience and whether we are or not financially resilient.
5. As regards the budget setting for the current financial year, officers had gone back and resolved historical base budget issues. This concerned perennial overspends on budgets which were not addressed.
6. As detailed at paragraph 4 (pages 3-4 of the report) – Financial position at the end of quarter one 2019/20.
7. As detailed at paragraph 6 (pages 4-5 of the report) – 2020/21 Budget and 2020/21 Medium Term Financial Plan (MTFP).
8. The following questions, statements and queries raised in response to the report:
  - a. Councillor Leaver referred to 3.6 (page 3 of the report) and BDO's review of the council's financial resilience. Matt Bowmer clarified that he would be meeting with BDO's lead auditor regarding this next week where BDO would be taking him through the approach. The approach is based on the CIPFA guide as well and will be best practise for local government. It is based on what CIPFA are saying, regarding what a good resilient council looks like.
  - b. Councillor Lee-Sanders commented that it was positive that the council are following the CIPFA guidelines, but the reserve balance is an area for concern. Because if the council continued with the current trajectory the council would only have 4 years of being able to get itself out of that situation, if it kept calling on its reserves. As regards the savings, there was good progress made from this time last year (4.7, page 4 - Table 1) but the concern was that amber could turn to red and more clarity was

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needed around that. Fay Hammond clarified that each of those ratings are reported at Cabinet and each are discussed in detail every quarter.

**AGREED** to note the contents of the Financial Resilience update report.

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### **BDO - LBE FEE LETTER 2019/20 & PENSION FUND FEE LETTER 2019/20**

RECEIVED from BDO (External Auditors) the London Borough of Enfield Fee Letter 2019/20, the Pension Fund Fee Letter 2019/20 and a verbal update on the Statement of Accounts 2018/19.

NOTED

1. BDO are required to issue the LBE Fee Letter 2019/20 and the Pension Fund Fee Letter 2019/20 by the PSAA (Public Sector Audit Appointments) Terms of Reference. The information is publicly available, in terms of the scale fees for the Pension Fund Audit and the main council audit.
2. In terms of the statement of accounts update, when the committee met at the 3 October 2019 committee meeting, BDO had every expectation that it would have completed the accounts by now and have the final clearance from their quality reviewer.  
Unfortunately, David Eagles (BDO) had been ill and was unable to complete the work which was necessary to get clearance from the quality reviewer.  
Plan B, is that BDO will continue work on the audit and clear the items down, so when the quality reviewer returns from annual leave by the end of October 2019, BDO will have the information ready and get to resolution by mid-November 2019. David Eagles apologised for not being able to complete the work.
3. The following questions, statements and queries raised in response to the report:
  - a. Councillor Leaver confirmed if the accounts would be finished by Mid-November and that in the final review BDO did not expect any material adjustments and the accounts would be complete. David Eagles clarified that the one issue BDO have to resolve are the HRA valuations which still need to be worked through with certain things that need clearance on to ensure that the information from the valuers stacks up and makes sense.  
The Pension Fund issue, mentioned at the last committee meeting, has now been resolved and completed.
  - b. Councillor Gunawardena enquired what the expectation was before the quality reviewer went on leave. David Eagles clarified that the expectation was that BDO cleared the last bits of information, get that to the quality reviewer before he went on leave. But BDO were unable to do that. It would have been more than 3 days' work. The interruption (sickness) was between the

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morning after the 3 October 2019 committee meeting and for 4-5 days after that BDO were still catching up with this work. However, BDO now have time between now and the end of October to clear the work.

- c. Councillor Barry mentioned that there were problems in the past with then HRA valuations and she just wanted to make sure that things were in place now to avoid issues for next year. David Eagles clarified that there had been a lot of discussion around this, led by Fay Hammond and her team, by setting up meetings with the valuers.

BDO would expect a bigger set of samples to be done at an earlier stage because it leads to better information and a better chance of addressing issues before the final accounts stage. This had been included in BDO's detailed planning for this year; getting valuations through by mid-February so scrutiny could occur at the interim stage, but the information didn't come through.

- d. Councillor Leaver questioned if the fees increase due to increased work or would it be the amount stated in the fee letter and does this put pressure on the finance function here because of 2-3 months additional work done? David Eagles clarified that the scale fee is set by the PSAA which is communicated in their fee letter. There would be a need to have a recurring level of additional work. In terms of pressure on the council, there would be more pressure from the additional costs to get the valuations done on a wider scale than the impact of audit fees coming through.

If BDO discuss and agree additional resources with Finance, this would mean additional fees. But before BDO can invoice the council it will have to go through the committee.

- e. Fay Hammond (Acting Executive Director Resources) commented that the original set of accounts presented to the committee at the 3 October 2019 may well be the final set of accounts subject to BDO's testing on the beacon valuations by its quality reviewer. Because the accounts are late, the council's professional ability to produce accounts is being questioned in public forums and is making things difficult for us a council. What was BDO's view of the council and the statement of accounts, in terms of the council not having a qualified set of accounts this time round? This had been a process delay. David Eagles (BDO) clarified that all the work BDO were doing to resolve issues is to get to the point where they can issue an unqualified statement of accounts. If the quality reviewer identifies any further issues/errors that need to be amended and its not a material issue, they will be added to the list of non-material unadjusted errors. But, if there was a material issue, BDO will adjust it and then get to the point of where they can issue an unqualified set of accounts. David Eagles asked the committee

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to take note the efforts the officers are making to address the issues in a sustainable way going forward.

- f. David Eagles further clarified that the critical issue is the HRA valuations. If BDO's testing suggests there is a problem and an amendment is needed, it will get amended and an unqualified opinion will be given. If BDO's testing is satisfied with the set of accounts presented at this meeting, then BDO will issue an unqualified opinion.
- g. Peter Nwosu's (Independent Member) thoughts were that the accounts are generally not qualified till adjustments are made. The council accounts had been late now for 2 years which suggests that things are not right and the only reason, 3 months later, LBE gets an unqualified report is because things are not right and BDO have made a lot of adjustments. How would BDO, from their perspective, answer that kind of challenge. David Eagles clarified that there were 2 reasons:
  - The committee must appreciate the national context of this. Over 40% of Councils' missed the 31 July deadline because a lot of complicated technical issues must be rectified in a much-compressed period and is not a trivial exercise to complete. The council now has the right skill sets to put things in a sustainable position going forward.
  - Council financial systems are old and antiquated with a lot of manual intervention and this raises the risk. Data is difficult to manipulate and get right and a very complicated set up in terms of valuations. Issue has been a slow process and for the past 2 years.
- h. Fay Hammond queried what the next steps would be as regards signing off the statement of accounts. Both BDO and the Executive Director of Resources need to sign off the statement of accounts. The committee would have to delegate authority to Fay Hammond to sign, subject to no adjustments found on the accounts that were presented to committee on the 3 October 2019. Peter Nwosu clarified that communication is needed to the committee that confirms that there are no adjustments to the set of accounts issued to members and if there isn't, then delegation can occur.

David Eagles further clarified that there are 3 routes:

- No more errors are found and BDO have the information they need. There would be no more communication about different unadjusted errors and BDO use what they have.
- An error is found but it is not material to the accounts and BDO agree not to adjust it. Because the committee signs off on the letter of representation which includes unadjusted errors and its agreement that errors have not been adjusted. This would need to be communicated to the committee but can be done through delegated arrangements.
- For whatever reason, a material error is found which BDO need to make an adjustment to. This would need to be

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communicated more widely to committee members. Information can be circulated stating what BDO have done and that this is the end of the issue. There doesn't need to be a full committee meeting.

Councillor Leaver clarified that if there are no material adjustments we can communicate that the accounts the committee reviewed on the 3 October can be signed off and the committee are informed. However, if there is a material adjustment, a meeting must be held to discharge our responsibility as it is a material adjustment.

4. Fay Hammond requested that a provisional committee date be arranged in November so members and officers can hold in their diaries in case a meeting is required.

**ACTION: Metin Halil (Committee Administrator)**

**AGREED** to note the LBE Fee Letter 2019/20 & Pension Fund Fee Letter 2019/20 and the verbal update on the Statement of Accounts 2018/19.

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### **AUDIT AND RISK MANAGEMENT SERVICE PROGRESS REPORT**

RECEIVED a report from the Director of Law and Governance, presenting the Audit & Risk Management Service Progress Report.

NOTED

1. The report was introduced by Gemma Young (Head of Internal Audit & Risk Management). This was the regular update on how the Service is progressing with the Audit Plan.
2. In terms of Internal Audit, as detailed at paragraph 3.4 (pages 5-6) of the report. Gemma Young was confident that the Audit Plan would be delivered by 31 March 2020.
3. As detailed at paragraph 3.5 (pages 5-6) of the report. Changes to the 2019/20 Internal Audit Plan.
4. As detailed at paragraph 3.7 (page 6) of the report. Audits added to the 2019/20 audit plan.
5. As detailed at paragraph 3.8 (page 6) of the report, including Table 3 – Completed Audits.
6. As detailed at paragraph 3.9 (pages 6 – 9) of the report – Highlighting summaries from the audit reports briefly explaining the reasoning behind the No and Limited Assurance opinions issued to date this year. The review identified the following:
  - Part Owned Companies (No Assurance) – The review identified 4 high risk findings and 3 medium risk findings.
  - Merryhills Primary School (Limited Assurance) – The review identified 2 high risk findings, 9 medium risk and 4 low risk.
7. As detailed at 3.21 and Table 5 (pages 10-11) of the report, highlighting Counter Fraud achievements.

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8. As detailed at 3.23 (page 12) of the report, in terms of Council Housing activities.
9. As detailed at 3.24 (page 12) of the report, which includes investigation of sub-letting or non-occupation and tenancies obtained by deception, death of tenant succession and right to buy discount. All investigated by the audit team.
10. As detailed at 3.25 (page 12) of the report, regarding temporary accommodation fraud.
11. As detailed at 3.26 (page 12) of the report, in terms of right to buy discount investigations. To date, 10 applications refused, saving over £1m in discounts not entitled to.
12. As detailed at 3.27 (page 12) of the report, in terms of No Recourse to Public Funds (NRPF), 7 applications cancelled/refused resulting in savings of £120k.
13. As detailed at 3.29 and chart 4 (page 12) of the report, in terms of council tax cases.
14. As detailed at 3.34 (page 15) of the report, in terms of Council Tax Single Person Discount data matching. The audit team have cancelled 76 single person discounts to date, allowing the council to re-bill an additional £31k in council tax charges for 2019/20.
15. As detailed at 3.35 (page 15) of the report, in terms of CIFAS Membership pilot.
16. As detailed on pages 16 – 17 of the report, the audit service also covers insurance. The team had received several abuse/failure to remove claims in the last 2 months, which have been referred to our Insurers solicitors who are considering these claims further.
17. As detailed at 3.41 and Table 9 (page 17) of the report regarding key litigation successes 2019/20. Five claims had been discontinued (pre-trial) which has saved the council £162k to date.
18. As detailed at 3.42 – 3.45 (page 17) of the report, an update on Local Government Association (LGA) Mutual.
19. The following questions, statements and queries raised in response to the report:
  - a. The Chair queried the Part Owned Companies high risk findings and bullet point 2 (page 7 of the report) regarding roles and responsibilities. Why was there no shareholder function body for the three companies and who is in charge and in control? Gemma Young clarified that there will be a body in control soon. These findings were being acted on swiftly. There had been some confusion around the actual role the council has of being both the customer and the shareholder of the part owned company. The shareholder function had not been exercised. Internal audit would be following up this no assurance audit. All no assurance audits are reported to the Assurance Board on a monthly basis. Gemma Young would be bringing this audit back to the 16 January 2020 committee meeting.  
The Chair questioned where members of the Shareholder Board report their findings. Gemma Young referred to the final bullet point on page 7 regarding Delegation of Authority. As far as she was aware, part-owned companies had generally reported back

to Cabinet. However, she would investigate and get back to the committee at the 16 January 2020 committee meeting.

**ACTION: Gemma Young (Head of Internal Audit & Risk Management).**

- b. Councillor Gunawardena asked what the process used was, for the audit on that part of the companies. Gemma young clarified that generally they would audit the processes that the team set out in a term of reference to identify areas the team are going to look at. This is then shown to the client. In this case it would be the Commercial Directorate. The testing programme is then set out from the term of reference and tested in detail. This may involve reviewing documents, looking at transactions, interviewing key members of staff and looking at processes. Once testing is complete, a draft report is developed and reviewed with the client to agree actions they will take. The term of reference comes from the Internal Audit Team.
- c. Councillor Gunawardena referred to bullet point 4 (page 7) high risk finding referring to the Enfield Norse Contract Monitoring. He was not aware that the Liaison Board were reporting Enfield Norse's Board of Directors rather than internally to the Council. He was trying to find out the outcomes for this as he is part of the Enfield Norse Board of Directors.

No one director was responsible for leading either operations or finance. In his mind, the whole contract was not a joint venture. People did not know what a joint venture was and within teams they were told what the joint venture was. He is concerned about this high risk finding.

Some Cabinet decisions were made yesterday which Councillor Gunawardena had highlighted since this information was very poor, and he is very unhappy with. Councillor Gunawardena is part of the Board of Directors and he had raised this issue multiple times throughout the year.

He could understand that it takes time to set up meeting's, but he was uncomfortable with some decisions made yesterday, with this high risk finding still outstanding. He didn't really know how to investigate this issue. With this lack of knowledge, is there an impact on the decision that was made at Cabinet yesterday?

This was a serious issue because it was a lack of process and with this lack of knowledge how did a decision like that at Cabinet get made? He would like the audit to be reviewed as part of the auditing process.

Fay Hammond (Acting Executive Director Resources) clarified that the part owned company audit is an area identified as a concern. That is why that audit was undertaken. There is an action plan for each high-risk item. A report had already gone to the Assurance Board with actions for each of those. The action plan went to the board in September 2019 and are waiting for the updates for that action plan. The monitoring officer, Assurance Board, EMT and Fay Hammond had seen those

actions and they would be monitored effectively through the Assurance Board.

This finding was not related at all to the Cabinet decision around whether or not the council should in-source cleaning. They are two completely different things.

Councillor Gunawardena further commented that they were related because the Cabinet decision was made on the basis of finance and service costs and his issue was the big gaps in that process. There is a gap and connection in terms of the cost and the monitoring. I am just questioning the conclusion that was made on that basis. Fay Hammond replied that in order to question the Cabinet report, the best approach would be to call it in for scrutiny.

Councillor Leaver asked for confirmation that these were in fact 2 differing issues and if the report within the internal audit report still stood. Fay Hammond clarified that they were 2 different issues. The audit was looking not only at Norse Ltd but all the 3-part owned companies i.e. Red Lion Homes and Montagu. The review was about part owned companies and what the governance of them was.

Councillor Gunawardena's further comments that this gap in the process is very important and has a direct impact on the Cabinet decision and quality of the report. This gap of knowledge has a huge impact on the conclusion of that report. There is a link and he would like it monitored and documented because decisions should be made on facts and knowledge and not guess work. He was not saying he has the proof, but he knew where the struggle was as he is on the Board of Directors for Norse Ltd.

Gemma Young will be sending the full audit report to Councillors Gunawardena and David-Sanders.

**ACTION: Gemma Young (Head of Internal Audit & Risk Management).**

- d. Councillor Gunawardena also commented that as a Director of Norse Limited, he was surprised that there were only two people involved in the company and that he wasn't part of the audit process. Gemma Young clarified that the team generally would not interview members, as part of the audit process.
- e. Councillor David-Sanders was concerned how some of the findings around terms of reference, responsibilities and accountability within the audit report, were missed. Why weren't partly owned companies treated with the same kind of investigation i.e. robust plans in place, as had been for council owned companies. Gemma Young clarified that this was a new audit (partly owned companies) and that perhaps focus had been on wholly owned companies. There was a lot of confidence in the findings and was a very robust audit. The findings were not very encouraging but have been accepted by the service area responsible.
- f. The Chair referred to the Merryhills School high risk finding (No.2 – page 9) and why a DBS check was not in place prior to

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a new employee's start date. Was it due to staff sickness, annual leave, etc. Gemma Young clarified that, often as an organisation, when DBS checks are submitted, they can take several weeks to come back. So, it may be the application wasn't submitted or delayed. What the section expects to see when a DBS check hasn't been received back is a risk assessment in place.

Councillor Barry stated that this was extremely worrying and was there a way the section could have been aware of these problems earlier. What were the section doing to stop it happening again?

Gemma Young clarified that an annual report for schools is produced yearly. The report goes to all schools and highlights all the high-risk findings and themes for the medium and low risk findings. The audit team also attend school management meetings to provide advice. It is difficult for the authority to find these problems any quicker because they are very much within the remit of the schools and their control. Segregation of duties breaks down when staff members are off sick and then a real opportunity for fraud increases. This would be reported from the anti-fraud side of the audit team. This would generally be reported back to committee numerically and not in detail, so there is a reluctance to put that information in the public domain. Councillor Barry thanked Gemma Young for the work she has done with the council tax single person discount.

- g. Councillor David-Sanders highlighted this continuous issue with schools and the council now has over a third of the outstanding high risks actions attributed to schools. What support can the council provide? Gemma Young clarified that audit could start to include schools in the Assurance Board process. Subsequently, the committee can also invite schools in to attend a committee. Fay Hammond also clarified that if a school was a serious financial concern, the council could write to the Chair of Governors, with a warning letter stating that they need to act over these financial concerns.

Fay Hammond suggested that the committee hear a report about what the proposals are to deal with these schools' issues. Councillor David-Sanders requested that the report should include the detail on the outstanding actions for the school and how long they have been outstanding for.

**ACTION: Gemma Young (Head of Internal Audit & Risk Management).**

- h. Peter Nwosu (Independent Member) asked how many other schools had not been audited for 4 years and if they are therefore in the audit plan. Gemma Young clarified that the team aim to audit every 3 years but also have to look at the risk basis as well. With Merryhills School, the team would re-visit within the next year to make sure that they have done everything they need to have done. Peter Nwosu wanted to understand which schools haven't been audited in the last 3 years.

**ACTION: Gemma Young (Head of Internal Audit & Risk Management)**

- i. In response to Councillor Leaver's enquiry in any benefit in inviting someone from Merryhills School to attend the next meeting of the committee. It may be that Merryhills School may not be the right school at present to invite to attend committee. However, those schools that have not implemented actions for some time may be good to invite to attend the committee. Gemma Young clarified that it may be better to give the school more time to implement actions. However, it is the committee's privilege to invite someone if they wish. Some committees invite anyone who has had a no or limited assurance audit. Members can then question the auditee about their action plan, next steps and get a commitment from them.

Fay Hammond proposed that a set of proposals be compiled, rather than be reactionary, for the 16 January 2020 committee meeting and note what the options are for that. If the committee can get the strategy correct first, then it can be worked out which schools fit into the committee's criteria to invite people to attend committee. Gemma Young would do some research and find out more about what other committees do and bring back a set of options to the 16 January 2020 committee meeting. The committee can then achieve what the best way forward is.

**ACTION: Gemma Young (Head of Internal Audit & Risk Management)**

**AGREED** to note the performance of the Audit & Risk Management Service to date and to provide feedback on the contents of the report.

299

**CORPORATE RISK REGISTER**

RECEIVED a report from the Director of Law and Governance, presenting the Corporate Risk Register.

NOTED

1. Gemma Young (Head of Internal Audit & Risk Management) presented the report, which the committee requested be brought to every meeting. The revised Corporate Risk Register is presented at Appendix A (pages 35-42) of the report.
2. There had been no significant changes to the risk register affecting ratings and there were no new risks added to the register.
3. Updates to individual risks are in the final column in Appendix A (pages 35-42) of the report.
4. The following questions, statements and queries raised in response to the report:

## AUDIT AND RISK MANAGEMENT COMMITTEE - 17.10.2019

- a. Councillor Barry referred to CR01 – Budget Management and the high risk attributed to it. Gemma Young clarified that most risks are mitigated reasonably effectively. However, with this risk Finance are constantly scanning the horizon and making sure they are up to date with the latest information. There are many factors outside of the council's control regarding this risk.
- b. Councillor Barry referred to CR05 – Duty of Care. This was shown as a medium risk and was surprised because with the introduction of Universal Credit, domestic violence was one of the areas expected to see more problems due to the impact of women's shelters and austerity, driving an increase in violence. Gemma Young clarified that this risk has many mitigations in place. The register had been reviewed at committee before and by all service areas, who are happy with the medium rating.
- c. Councillor Barry referred to CR11 – Housing. Gemma young clarified that the point had been reached where many of the mitigations had happened. When the Corporate Risk Register is heard again at the January 2020 committee meeting there will probably be an update to this risk.
- d. Councillor David-Sanders referred to an earlier point in the audit report and CR14 – Trading Companies. This risk was showing as medium and considering the 'No Assurance' attributed to the part owned companies audit, the risk did not specify whether it is referring to wholly owned or part owned companies. Was the medium risk appropriate or would it need updating? Gemma Young clarified that it was at a medium risk because the bulk of company activity is within wholly owned companies. However, she would refer this risk back to the Director of Law & Governance and report back to the January 2020 committee meeting.

**ACTION: Gemma Young (Head of Internal Audit & Risk Management)**

**AGREED** to note the risks recorded in the Corporate Risk Register.

**300**

## AUDIT AND RISK MANAGEMENT COMMITTEE - ANNUAL REPORT 2018/19

RECEIVED the Audit & Risk Management Committee Annual Report 2018/19.

NOTED

1. The report was presented by Gemma Young (Head of Internal Audit & Risk Management).
2. The Audit & Risk Management Committee Annual Report 2017/18, is a summary of work the Audit & Risk Management Committee had achieved and oversaw the work of Internal Audit 2018/19.

## **AUDIT AND RISK MANAGEMENT COMMITTEE - 17.10.2019**

3. This is the Chair of the Committee's report on the activities of the committee over the last municipal year.
4. This report is produced as a requirement of the council constitution and provides a clear and sensible read of previous work the committee has done.
5. The summary of work is all detailed within the report on pages 43-56.

**AGREED** that the Annual Report be approved for referral by the Chair onto Council at its meeting on the 29 January 2020.

### **301**

#### **AUDIT & RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2019/20**

**RECEIVED** an outline work programme for the Committee covering the 2019/20 Municipal Year Committee.

**AGREED** to approve the outline work programme for 2019/20 subject to the following additions.

#### **NOTED**

1. A further Brokerage report update to be heard at the 5 March 2020 committee meeting.
2. The Illegal Encampments report to be heard at the 16 January committee meeting.
3. A further School's audit report to include schools' issues and detail around outstanding actions.
4. A further follow up audit report regarding part-owned companies.

### **302**

#### **DATES OF FUTURE MEETINGS**

To note the dates agreed for future meetings of the Audit & Risk Management Committee:

Thursday 16 January 2020

Thursday 5 March 2020

(All meetings to commence at 7.00pm unless otherwise agreed.)

### **303**

#### **EXCLUSION OF THE PRESS AND PUBLIC**

### **304**

**MERIDIAN WATER RISK REGISTER UPDATE**

Peter George (Programme Director – Meridian Water) presented the Meridian Water Risk Register and answered questions from members of the Committee.