

## **Minutes of the Audit and Risk Assurance Committee**

**10 January, 2019 at 5.00pm  
at the Sandwell Council House, Oldbury**

**Present:** Councillor Preece (Chair);  
Councillors Ali, Dr Jaron, Piper and Singh.  
Mr Doyle (Independent Member).

**Apologies:** Mr Ager (Vice - Chair and Independent Member);  
Mr Hussain (Independent Member) and Councillors  
Allcock and Jarvis.

1/19 **Minutes**

**Resolved** that the minutes of the meeting held on 8  
November, 2018 be confirmed as a correct record.

2/19 **Revised Anti-Money Laundering Policy**

The Committee received an updated Anti-Money Laundering Policy. The Policy had been updated to take into account the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

Other amendments to the Policy included:-

- a reduced limit for cash payments from £8,000 to £2,000,
- the identification of nominated officers to assist the Anti-Money Laundering Reporting Officer with their duties, and
- a duty to increase staff awareness on the importance of carrying out due diligence enquiries and reporting concerns of money laundering.

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Sandwell's approach to tackling the issue of money laundering, especially in the area of right to buy sales in recent years, had seen the council's reputation increase. The revised policy allowed the Council to move forward in actively deterring potential money laundering activity and have more robust procedures in place to report suspected money laundering than most other councils had in place.

The Committee noted that residents living in properties above Band F would no longer be able to pay their council tax in full, in cash. The Executive Director – Resources advised that most council tax payments were via direct debit. It was not anticipated therefore that there would be any impact on council tax payments. The Chair of the Committee added that the £2,000 limit was welcomed and that all payments should be encouraged via direct debit to save the authority administrative costs.

The revised policy would be submitted to the Cabinet for consideration. Once the policy was approved training would be given to all members.

**Resolved** that the draft revised Anti Money Laundering Policy be approved for submission to the Cabinet.

3/19

### **Counter Fraud Update**

The Committee noted an update on the recent activity undertaken by the Council's Counter Fraud Unit.

Focus had largely been around two national reports recently published. The Cabinet Office had published its report on the National Fraud Initiative (NFI) exercise for the period 1 April 2016 to 31 March 2018. The National Fraud Initiative, was a two-yearly data matching exercise comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body. A number of matches had been referred to the Council's Counter Fraud Unit for investigation, however, focus had been on the high risk matches. £450,000 worth of housing fraud – the most popular instance of fraud – had been identified in Sandwell as a result of the report.

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The Committee also received the Chartered Institute of Public Finance and Accountancy's (CIPFA) Fraud and Corruption Tracker Survey 2018, which aimed to help organisations and the public better understand the volume and type of fraudulent activity in the UK and the actions being taken to combat it. Only 144 local authorities had taken part in 2018 and it was therefore felt that the survey did not provide a true picture of fraud across the public sector. The report highlighted that the four main types of fraud affecting local authorities was council tax, housing, disabled parking and business rates respectively. It was noted that the financial figures reported in the survey were not actual but based were on Cabinet Office calculations.

A pilot team had been set up to focus on the large number of cases of council tax fraud, based on our own data.

The Committee welcomed Sandwell's acknowledgement for the provision of case studies to contribute to the Survey. and input into the reports.

### **4/19 Internal Audit Progress Report as at 30 November 2018**

The Committee noted a report which summarised the work undertaken by the Council's Audit Services from 1 April 2018 to 30 November 2018, as set out within the Internal Audit Plan 2018/2019.

Since the previous update six audits had been completed, which had resulted in three "Limited" assurance decisions being issued. The Committee noted the detail of those particular audits and the concerns that had been identified.

### **5/19 External Audit Plan – 2018/19**

The Committee noted a report setting out the proposed programme of work of the Council's External Auditors, Grant Thornton, in terms of auditing the Authority's Financial Statements for the period 2018/19. The final Plan would be presented to the next meeting for approval.

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It was noted that this would be the first year that two sets of accounts would need to be produced, as a result of the establishment of Sandwell Children's Trust.

The report included two mandatory risks, which had to be assessed in accordance with the International Standard on Auditing (ISA) (UK) 240. The first was around revenue recognition and the robustness of processes to manage fraud. This was not deemed to be a significant risk for the Council and would therefore be rebutted. The second related to management override of controls, which was non-rebuttable and would be subject to a full evaluation.

Regarding risks, it was noted that there was a significant risk identified, as with most Councils, around budget planning as the sector faced continued pressure due to reductions in central government grants. Children's Services was also highlighted as a significant risk and the Council's response to the "inadequate" inspection assessment, and in particular, the developing commissioning arrangements with the Children's Trust.

6/19

### **Interserve PLC Update**

The Committee noted a report on the risks arising from any arrangements with Interserve PLC, following recent press reports on it establishing a de-leveraging plan to ensure the company's long term sustainability.

In July 2009, the Council had entered into a Strategic Partnering Agreement (SPA) contract with Sandwell Futures Limited (SFL) as its Local Education Partnership (LEP) for the delivery of capital projects and the provision of facilities management services, initially under the Building Schools for the Future (BSF) programme. As part of this arrangement, Interserve PLC had been commissioned by SFL and was involved in the provision of facilities management services to the five Sandwell schools under the BSF programme and a number of Private Finance Initiative (PFI) schools.

The Council's contractual relationship was therefore with SFL and not with Interserve PLC and there were no present concerns about the ability to deliver the contracts it was involved in. SFL

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had performance bonds in place that provided financial protection against the delivery of the new build capital projects. Therefore, financial liability for contractor failure would not pass to the Council. If Interserve were to go in to administration or liquidation to responsibility to source an alternative contractor would lie with SFL.

The Committee noted that any risks identified within the projects would jeopardise the Council's ability to meet its obligations in relation to school place planning. Step-in clauses within the contracts would enable the Council to take over any sites at risk, within 2-3 weeks. Discussions had taken place with both SFL and Interserve to ensure a robust position and the agreement of mitigating actions, should they be necessary. Discussions were also taking place with SFL on the preparation of a "Living Will" – which would set out a road map of requirements to take over the business - to support these arrangements. In addition, a portfolio of suitable contractors was being developed that could step in if required.

The Committee felt that the Cabinet Member for Children's Services should be asked to endorse and pursue the principle of a "Living Will" and report back to the Committee on this work.

**Resolved** that the Cabinet Member for Children's Services be asked to endorse and pursue the principle of a "Living Will" in relation to the Council's Strategic Partnering Agreement (SPA) contract with Sandwell Futures Limited (SFL) for the delivery of capital projects and the provision of facilities management services, in order to mitigate any possible risks to the Council in relation to its obligations in relation to school place planning; and report back to a future meeting of the Audit and Risk Assurance Committee on progress and developments.

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7/19      **Work Programme 2018/2019**

The Committee noted its work programme for 2018/19.

(Meeting ended at 5.52pm)

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