

Minutes of the Audit and Risk Assurance Committee

**25 July, 2019 at 5.00pm
at Sandwell Council House, Oldbury**

Present: Councillor Ahmad Bostan (Chair);
Councillors Allen, Moore and Preece;
Mr Ager (Independent Vice-Chair);
Mr Doyle (Independent Member).

Apologies: Councillors Jarvis and Hevican.

22/19 **Minutes**

Resolved that the minutes of the meeting held on 21 March 2019 be confirmed as a correct record.

23/19 **Internal Audit Annual Report 2018-2019**

The Committee received the Annual Internal Audit Report for 2018-2019, which summarised the work carried out by Audit Services throughout the year and provided an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes.

Based on the work undertaken during the year and subject to implementation of the recommendations made, a reasonable level of assurance had been given by internal auditors.

The Committee noted that it had been a challenging year, with 13 limited assurance reports being given, which was more than any previous years. Many of the reviews carried out had been requested by directors.

The Committee noted the detail of each review, recommendations made, and the level of assurance given. Recommendations were followed up in a timely manner, allowing sufficient time for them embed. There was a strong willingness from the senior

Audit and Risk Assurance Committee – 25 July 2019

management team to learn from previous experiences and address cultural issues.

A watching brief was being maintained on disposal of land, which was being led by an officer working group. The protocol on land sales was still in operation.

Members referred to the audit reviews that had taken place in relation to voluntary and community sector grants and leases. It was reported that there were two reviews - one on voluntary sector grants and another on leases to voluntary organisations. Further work was being undertaken in relation to leases to voluntary organisations, however, it was anticipated that reports would be presented to the Committee on both reviews before the end of 2019.

It was reported that weaknesses in asset control, which had led to the loss of two large items, had been addressed and Audit Services was working closely with the Neighbourhoods directorate on the implementation of all recommendations arising from that audit. Investigations continued regarding the location of the items.

Members thanked officers from Audit Services for their work throughout the year.

24/19

Chartered Institute of Public Finance and Accountancy (CIPFA) Update 28

The Committee noted the latest Update from the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Head of Internal Audit reported that he was in discussions with CIPFA to deliver a tailored development day, in-house, for members of the Committee. Neighbouring authorities would also be contacted in an effort to share costs.

In response to a question about joint working with other local authorities, it was reported that the Council ran a quarterly West Midlands Fraud Forum, attended by neighbouring authorities. The Council was also a member of the Midlands Fraud Forum, which was ran by a group of large accountancy organisations and

Audit and Risk Assurance Committee – 25 July 2019

hosted by West Midlands Police. The Council's Head of Internal Audit was also a member of the National Anti-Fraud Network.

25/19

Annual Counter Fraud Report 2018-2019

The Committee received an update on the annual activities of the Counter Fraud Unit during 2018/2019.

The Unit worked in partnership with the Cabinet Office National Fraud initiative which involved data matching records with other public bodies every two years to identify fraud and error. The Council had submitted around 700,000 data records for the 2018-19 exercise and the team was now working through the data matches identified.

A key areas of fraud activity continued to be council tax single persons discounts, amounting to the value of £55,738 and resulting in 108 financial penalties, amounting to £7,560 being issued. A review of Council Tax exemptions had identified an additional £16,853 worth of fraudulent activity.

Social housing fraud also remained a key area due to the high demand for social housing and the limited housing stock. 54 housing applications had been cancelled during the year, and a further 40 properties recovered as a result of fraudulent applications.

Direct Payments within Adult Social Care was emerging as an area of high fraud risk and £151,000 had been identified in over-payments within the reporting period and a number of investigations were still ongoing. Members requested a report to a future meeting detailing the key areas of risk highlighted within Adult Social Care.

The Chair congratulated the Team for the positive press it had received in recognition of the good work to tackle housing related fraud.

Reflecting on the year, officers reported that housing related fraud remained a key area of focus, and there was a shift to a preventative approach as eviction proceedings were costly to the Council. The Housing Allocations Policy was being reviewed

Audit and Risk Assurance Committee – 25 July 2019

with input from the Team and there was now a Tenancy Fraud Officer based in the Neighbourhoods Directorate.

Resolved that a report be submitted to a future meeting of the Committee, detailing the key areas of fraud risk within Adult Social Care, and progress on recommendations arising from the reviews carried out by the Counter Fraud Team in 2018-19.

26/19 **Strategic Risk Register Update**

The Committee received an update on the Council's strategic risks and the arrangements in place to manage them.

The Committee noted that there were currently 17 risks on the register, of which five were 'red', nine were 'amber' and three were 'green'.

The Committee discussed the ongoing uncertainty around local government funding and noted that risk 27 on the register had been escalated to 'red', to reflect this. Risk 52 in relation to the Better Care Fund had also been escalated to 'red' to reflect uncertainty about the future funding arrangements.

Risk 44 in relation to land sales continued to be assessed as 'green' as mitigations reported previously had now been embedded. The risk would now be de-escalated to the Neighbourhoods directorate risk register.

The Commonwealth Games Aquatics Centre project (risk 50) was currently on track but remained an 'amber' risk due to its high profile and the tight timescales.

A summary of the Council's strategic assurance map was also noted, detailing where the Committee could gain assurance against strategic risks.

The Committee asked that the Children's Services risk register be submitted to the next meeting for detailed review. The Director – Strategic Resources reported that the medium term financial strategy for the Sandwell Children's Trust was still being developed and would be reported to the Committee in due course. The scale of the financial challenges facing children's

Audit and Risk Assurance Committee – 25 July 2019

social care nationally continued to be of great concern and was the single biggest financial risk in Sandwell. The Committee noted that the Trust had established a client function and requested that the Director Children's Services attend a future meeting to update the Committee on this.

Resolved:-

- (1) that the Children's Services Directorate Risk Register be added to the Committee's work programme for detailed review at a future meeting;
- (2) that the Director Children's Services report to a future meeting on the establishment of the client function at Sandwell Children's Trust.

27/19

Annual Governance Statement 2018-2019

The Committee received the authority's Governance Statement for 2018-2019, which summarised how the Council complied with its adopted Code of Corporate Governance and detailed areas where the Council had significant governance issues arising. The Statement included a plan detailing the actions that were being taken, or would be taken, to address these areas of weakness.

To support the preparation of the statement, each Director and Cabinet Member had completed an assurance statement and any weaknesses identified had been included within the Statement, along with measures in place to address them.

The Committee noted the key changes to the framework during 2018-2019 and the assurances received to comply with the Statement and the key changes following its annual review.

The Governance Statement had operated throughout the year to 31 March 2019 but would continue to operate up to the date of approval of the statement of accounts. A further review of the Governance Statement would be carried out prior to this to ensure that it remained valid.

Resolved that the Council's Governance Statement 2018-2019, as now submitted, be approved.

Audit and Risk Assurance Committee – 25 July 2019

29/19 **Work Programme 2019/2020**

The Committee noted its work programme for 2018-2019.

(Meeting ended at 6.10 p.m.)

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| Contact Officer: Stephnie Hancock Democratic Services Unit 0121 569 3189 |
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