

Minutes of the Audit and Risk Assurance Committee

**9 January 2020 at 5.00pm
at Sandwell Council House, Oldbury**

Present: Councillor Bostan (Chair);
Mr Ager (Independent Vice-Chair);
Councillors Allen and Hevican;
Mr Doyle and Mr Hussain (Independent Members).

Apologies: Councillor Jarvis, Moore and Preece.

1/20 **Minutes**

Resolved that the minutes of the meeting held on 19 September 2019 are approved as a correct record.

2/20 **Strategic Risk Register Update**

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

The register currently included 13 strategic risks- six red risks and seven risks assessed as amber. It remained the case that the following risks, which related to the uncertainty around government funding, which the Council had little scope to mitigate against, remained red:-

Risk 4c - Demand for Children's Social Care
Risk 27 – Funding and Resource Allocation
Risk 40 – School Place Planning
Risk 52 - Better Care Fund and Public Health Grant

In relation to Risk 50 – Commonwealth Games Aquatics Centre - the Executive Director – Resources confirmed that the project remained within budget.

3/20

Adult Social Care, Health and Wellbeing Directorate Risk Register

The Interim Director – Adult Social Care presented the Adult Social Care, Health and Wellbeing Directorate’s Risk Register and updated the Committee on the mitigations in place to manage the risks.

There were nine strategic risks on the register, none of which were currently Red. The Committee noted that Risk 37 – Delayed Transfers of Care – had been downgraded from Red to Green and that Sandwell was currently the second best performing authority in the country. However, the risk would remain on the register due to the fluidity of the healthcare system.

In respect of Risk 3 - Strategic Workforce Development – the Committee heard that work was taking place with human resources to understand current and future workforce requirements, with a focus on ensuring that the workforce was representative of Sandwell’s demographics. The Interim Director – Adult Social Care agreed to provide the Committee be a breakdown in relation to the current workforce’s black and minority ethnic (BAME) profile.

In relation to Risk 25 – Supply Chain Resilience – the Committee was informed that the introduction of the National Living Wage had brought about more detailed discussions with providers about their financial sustainability, which had given the Council a clearer picture of the sustainability of the market as a whole. This had also allowed the Council to review the rates it paid to providers to ensure sustainability. There were over 1,000 voluntary and community sector organisations in Sandwell with an array of different grant arrangements in place. In addition, the Council had contractual arrangements in place with a number of domiciliary care providers and residential and nursing homes. The Committee was assured that a regular programme of contract monitoring was in place, with the largest value contracts receiving the most attention.

In relation to Risk 30 – Liberty Protection Safeguards – the Council had begun preparations for the incoming new legislation before it had received royal assent, so the Council had a good level of understanding of its implications. This risk had therefore

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been downgraded from red to amber whilst practise guidance was awaited.

4/20

External Audit Progress Report and Sector Update

The Committee received a progress report from the Council's external auditors, Grant Thornton, along with a summary of emerging national issues and developments.

The 2018/2019 audit of accounts was not yet complete due to a number of technical matters as a result of changes to the Chartered institute of Public Finance and Accountancy (CIPFA) Code of Practice. This had caused delays across the whole sector, affecting over 200 local authorities. The two key areas where work was still being undertaken were in connection with valuation of property plant and equipment (PPE) and Sandwell Land and Property Company (SL&P). Changes to the CIPFA Code of Practice meant that closer scrutiny was required on how the evaluation of PPE was calculated.

In relation to SL&P, this was considered an unusual arrangement for a local authority, and Grant Thornton had different views to the Council's previous auditors (KPMG) on how this should be accounted for. A revised accounting paper was being prepared for consideration by external auditors. It was likely that material adjustments would be required to both the Council's and SL&P's accounts. The Committee was assured that there were no concerns about fraud, however SL&P accounts had not previously been subject to audit, due to reliance on the small company exemption. This exemption would no longer apply due to the value of the adjustments, so an audit was now required, which would need to be undertaken before the opinion on the Council's accounts could be issued, as the SL&P accounts would need to be consolidated into the Council's group accounts.

It was anticipated that Statement of Accounts and External Audit reports 2018/2019 would be submitted to the next meeting.

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5/20 Internal Audit Progress Report

The Committee noted the work undertaken by the Council's Audit Services from April to December 2019.

Of the 12 audits carried out, six Limited Assurance opinions had been issued and one Inadequate. While there were no systematic concerns and relevant managers had undertaken to address all recommendations. The Committee noted the detail of the issues raised and the measures that had been put in place to address them.

Compliance with the General Data Protection Regulation (GDPR) continued to be a key focus in many audits and this remained a Red risk on the Strategic Risk Register. The Committee was informed that external organisations with contractual arrangements with the Council, where appropriate, were re-visited within a 12-month period of the audit and the audit client worked with the teams to help them embed recommendations. The Head of Audit undertook to ascertain what training these organisations had received/delivered in terms of GDPR compliance.

6/20 Internal Audit Charter

The Committee received the Internal Audit Charter for review.

The Charter was based on the Chartered Institute of Public Finance and Accountancy's (CIPFA) model charter and reflected the requirements of the Public Sector Internal Audit Standards.

The Charter set out the definition, mission and the method of working for Internal Audit along with reporting lines.

There were no changes proposed to the Charter.

Members felt that the Charter needed to be more explicit in relation to the Council's role in auditing external organisations that the Council contracted with. The Committee was informed that the Council had separate charters in place in relation to the Children's Trust and other large organisations.

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Guidance was awaited from CIPFA on revisions to the Internal Audit Code of Practice and the Charter would be reviewed at the appropriate time to reflect this.

Resolved that, subject to an amendment to include an additional section in reference to the Council's contractual arrangements with third parties being included at the time of the next review, the Internal Audit Charter be approved.

7/20

Counter Fraud Update

The Committee received an update on the recent areas of counter fraud activity that the Council's Counter Fraud Unit had undertaken.

The Committee congratulated the team for its thorough investigations and work with the Police in relation to a high profile fraud investigation at Annie Lennard Primary School, which had resulted in the conviction of eight people working at the school and connected to people working at the school. Procedures to recover the losses under the Proceeds of Crime Act were now being implemented and authorities were confident that the full value of the losses would be recovered through charges on properties and freezing bank accounts for example.

This had been a unique case involving the two most senior staff responsible for finance and governance at the school colluding with each other and a number of suppliers. This had enabled key preventative controls, such as separation of duties to be bypassed. The audit programme had been extended to ensure that additional checks were carried out on suppliers. Fraud training for head teachers and governing bodies would also be enhanced.

Direct Payment fraud continued to be an area of significant risk due to the large amounts of money being managed by service users. There were a number of measures in place to mitigate these risks, including closer working between the Direct Payments Team and the Counter Fraud Unit. The Counter Fraud Unit had also received specialist training on conducting such investigations.

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8/20

The Council's Process for Gas Safety Within Council Owned Public Buildings.

The Committee received an update on progress implementing internal audit recommendations in relation to the undertaking of gas safety checks in Council properties.

Three key issues had been identified as part of the audit carried out in September 2018 and the Committee noted progress on implementing the recommendations:-

- 1) There had been delays in correlating gas safety certificates with the Council's systems and the contractor. It was confirmed that safety checks had been carried out within the required timescales, however, there had been delays in the certificates being issued.
- 2) There had been access issues in some cases, due to the presence of asbestos. Whilst asbestos would continue to be an issue, processes were now in place to ensure timely removal to enable access.
- 3) As part of the Council's role as corporate landlord, the service processes had now been implemented to ensure that tenants were aware of obligations to complete the checks.

It was also reported that there was a project underway to understand the full implications for the Council around all compliance responsibilities in relation to its different roles as landlord, employer, statutory provider or a combination.

9/20

Exclusion of the Public and Press:

Resolved that the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006 relating to an individual.

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10/20

Local Government and Social Care Ombudsman - Investigation into a complaint against Sandwell Metropolitan Borough Council

The Committee noted the outcome of the investigation by the Local Government and Social Care Ombudsman regarding a complaint in relation to children's services.

The complaint had been received by the Children's Services directorate in August 2017, prior to the operation of Sandwell Children's Trust. As the complaint had progressed to an Ombudsman complaint, the Children's Trust had become involved after its inception. The Council's Director of Children's Services and Sandwell Children's Trust's Chief Executive were present and addressed the Committee.

The Ombudsman had issued its final report in November 2019 and Section 31(2) of the Local Government Act 1974 required the LGSCO's report to be presented to an appropriate committee within three months of receipt. The LGSCO had not yet made its full report public however.

The Chief Executive of the Children's Trust reported that all recommendations within the report had been addressed. The Trust had reviewed its complaints procedures and the way it engaged with complainants and was developing a quality assurance process.

The Director – Children's Services reported that Children's Services directorate had also reviewed its complaints processes and significant improvements had been made. There were few examples of such cases and it was hoped to avoid any more in the future.

(Meeting ended at 6.27 pm)

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