

# Minutes of the Audit and Risk Assurance Committee

**3 September 2020 at 5.00pm  
Virtual Meeting**

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

**Apologies:** Councillors Hevican, Jarvis, Moore and Preece.

## 11/20 **Minutes**

**Resolved** that the minutes of the meeting held on 9 January 2020 are approved as a correct record.

## 12/20 **Revised Annual Governance Statement 2018/19**

The Committee received a revised Annual Governance Statement for 2018/19 for consideration.

The Governance Statement had initially been approved by the Committee on 25 July 2019. However, due to the delay in finalising the 2018/19 Statement of Accounts, there had been a number of new and emerging issues that could have an impact upon the assumptions made in the 2018/19 accounts.

These new issues focused predominantly around Britain's exit from the European Union and Covid-19 related matters. Whilst the detail was being addressed in the 2019/20 Annual Governance Statement, the assumptions for the 2018/19 Statement of Accounts had been reviewed in light of these issues. The impact of both issues, in particular the unprecedented significance of Covid-19, began to be addressed towards the 2019/20 year-end and continued to be so into 2020/21.



The risks associated with these issues were being monitored through regular financial and governance reporting and also formed a key part of the council's risk management process.

The Governance Statement for 2018/19 had therefore been updated to reflect changes in the last year, and in order for it to be valid up to the date of the approval of the 2018/19 Statement of Accounts.

**Agreed** that the revised Annual Governance Statement 2018/19, is approved.

13/20

### **Statement of Accounts 2018/19**

The Committee received the Council's 2018/19 Statement of Accounts.

In accordance with the Accounts and Audit Regulations 2015, the 2018/19 Statement of Accounts had been approved by the Council's Section 151 Officer on 30 May 2019 and a copy made available for public inspection between 3 June 2019 and 12 July 2019.

The Accounts and Audit Regulations 2015 required a formal resolution by the Committee to approve the Statement of Accounts by 31<sup>st</sup> July 2019. However there had been significant delay due to the Council's new external auditors, Grant Thornton, having a different opinion about how the Council owned company, Sandwell Land and Property (SL&P), should be presented within the accounts. This had created significant additional work for both parties. Discussions continue to take place around the closedown of the company. Further details were contained within the Audit Findings Report, which was also being presented to the Committee at this meeting.

In response to members questions, it was reported that finance officers were in regular communication with colleagues in Revenue and Benefits teams regarding debt recovery related to the impact of the covid-19 pandemic. A review of outstanding debts had been undertaken and some debts had been written off, which would be reflected in the Council's 2019/20 accounts. The Committee noted that the Council had in place a specific risk register to monitor and manage the impact of Covid-19, which would be presented to the Committee at its next meeting.

It was recommended that authority be given to the Chief Financial Officer, in consultation with the Chair or Vice-Chair, to agree any final changes to the Council's Statement of Accounts 2018/19. It was noted that the only changes that would be made would relate to amendments agreed with the Council's external auditors.

The Committee noted that the draft Statement of Accounts for 2019/20 had now been published on the Council's website and this would be presented to the Committee in November. This contained an updated financial position for the Council.

**Agreed:-**

- (1) that the Council's Statement of Accounts 2018/19 is approved, as now submitted;
- (2) that authority is given to the Chief Financial Officer, in consultation with the Chair and Vice-Chair of the Audit and Risk Assurance Committee (ARAC), to agree any changes to the Council's Statement of Accounts 2018/19 which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors, Grant Thornton, to ensure completion of the Statement of Accounts.

14/20

**Audit Findings Report 2018/19**

The Committee noted the Audit Findings Report presented by the Council's external auditors, Grant Thornton, in connection with the 2018/19 Statement of Accounts.

An unqualified opinion had been issued in relation to the financial statements, which confirmed that the Council had satisfactory financial management systems in place and was a sustainable organisation.

An unqualified opinion had been issued in relation to the Council's arrangements for securing value for money. This exception related to its arrangements around Sandwell Children's Trust, and the overspends the Trust had incurred. Overall auditors were satisfied that there had been considerable changes with the establishment of the Trust and there was appropriate reporting on

the Ofsted improvements. However there was insufficient evidence to demonstrate that children's services would no longer be assessed as inadequate, were there to be a full inspection, and the emerging financial challenges at the Trust posed a risk in delivering the improvement plan in the current timetable.

The Committee noted the following key matters that had contributed to the delay in finalising the Statement of Accounts:-

- Auditors had felt that the accounting liabilities in relation to the Council's Private Finance Initiative schemes were overstated, and this had resulted in a reduction in liability by £6.3million.
- It was felt that some of the Council's investment property assets were undervalued to the tune of around £6.8million. This was not a material issue but had been noted.
- Year-end valuation of schools had been reviewed from 2018/19 to date and revised valuations had been applied to the accounts which reflected an increased value of £17million.
- Pensions liabilities of employees who had transferred to the Children's Trust had been reviewed. Additional agreements had been signed clarifying the liability for these pensions and auditors were now satisfied that the Council was correctly recognising these liabilities in its accounts.
- Some debtor balances dating back to 2013/14 had been written off, which had reduced the Council's debtor balance by £1.34m.
- A number of adjustments had been made to the accounts in relation to Sandwell Land and Property Company (SLAP). Specifically, the movement of the assets from the Council's accounts to the SLAP accounts. Auditors had also identified that shares in SLAP had not been issued in the correct manner, which had created uncertainty, which the Council was working to address.
- A number of legal judgements had impacted on the Council's pension fund liabilities and this had resulted in a change in the Pension Liability from £701,391 to £717,494.

It was acknowledged that Covid-19 had created additional financial pressures that the Council needed to maintain a close oversight of to ensure financial sustainability.

The Committee noted that good progress had been made on prior year recommendations.

The Acting Section 151 Officer assured the Committee that audit adjustments in the Audit Findings Report had been reviewed several times and agreed to be accurate. It was noted that the increased audit fee had been as a result of a number of matters, and not just one.

The Council currently had a very healthy level of reserves which provided a good cushion in relation to the impact of covid-19 and was in a stronger position than many authorities at present.

Meeting ended at 5.56pm.

This meeting was recorded and is available to watch [here](#)

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