

Minutes of the Audit Committee

**26th January, 2017 at 6.00 pm
at Sandwell Council House, Oldbury**

Present: Councillor Sidhu (Chair);
Mr Ager (Vice-Chair and Independent Member);
Councillors Gavan, Dr Jaron and Piper.

Apology: Councillor Preece.

Observers: Councillor Edwards and P Hughes.

1/17 **Minutes**

Resolved that the minutes of the meeting held on 15th December, 2016 be confirmed as a correct record.

2/17 **Council Update on Allegations of Fraud and Misconduct**

The Committee received a report regarding ongoing and completed investigations relating to allegations of fraud and misconduct. The Committee were informed that a series of investigations had now been completed as follows:-

- land sales to Councillor Bawa and Councillor Hussain regarding Compulsory Purchase Orders on their homes;
- housing allocations to members of Councillor Hussain's family;
- Councillor I Jones and Councillor Rouf's involvement in the disposal of a plot of land;
- The allocation of a council property to Councillor Frear;
- former Councillor Rowley's involvement in the disposal of a number of council owned containers to a member of the public;
- former Councillor Rowley's involvement in the hire of marquees;
- the lease arrangements for the council offices at Roway Lane.

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The Committee reiterated previous recommendations to invite the former Service Manager David Willetts and requested that the initial complainant be invited to the next available Committee.

Members were informed that the Council had adopted specific arrangements for the handling of allegations relating to the breach of the Members' Code of Conduct. Initial stages of dealing with allegations would be handled by the Monitoring Officer to determine whether a formal standards investigation would be required. Matters of a serious nature which had suggested the potential for criminality had been referred to West Midlands Police's Regional Crime Unit for consideration.

The Interim Director – Resources provided the following update on the outcomes of investigations and reviews:-

- concerns regarding land sales to Councillor Bawa and Councillor Hussain found potential collusion and fraudulent practice in a public office and this had been subsequently referred to West Midlands Police;
- concerns over housing allocations to Councillor Hussain's family had found patterns of behaviour that indicated a conspiracy to defraud and/or misconduct in a public office;
- concerns regarding disposal of a plot of land removed from public auction by Councillor I Jones in order to sell to Councillor Rouf found potential breaches of both the Financial Regulations and the Members' Code of Conduct;
- concerns over the allocation of a council property to Councillor Fear found no fault in the actions that had been undertaken by Councillor Fear. The Interim Director – Resources informed the Committee that internal processes had been strengthened in order to ensure cases of particular conflicts of interest were documented and sufficiently detailed;
- in relation to concerns that former Councillor Rowley had sold a number of council owned containers to a member of the public. Interim Director – Resources had informed the Committee on the following recommendations:-
 - a) that future disposals should be undertaken in accordance with the requirements of the Council's Financial Regulations and Procedures;
 - b) that keys and security measures should be taken back into the Council's control and the locks changed, if necessary;

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- c) that an inventory of all Council owned containers should be prepared with regular verifications;
- d) that a decision on the future of external organisations using the storage facility and if introducing a small charge would be applicable for each container;
- in relation to concerns that former Councillor Rowley had been running a marquee hire business and was charging for the service to the Council. The Interim Director – Resources confirmed that internal processes had been strengthened as a result;
- in relation to concerns over the lease arrangements entered into at Roway Lane, Oldbury offices and depot. The Interim Director – Resources confirmed that no evidence of fraud was found in the process to enter into the 30 year lease. Any new leasing arrangements in future would take into consideration the findings found in the investigation.

(Councillor Dr Jaron declared a registerable interest in this item on the basis that she was a Director at Sandwell Homes during the period under discussion. Dr Jaron stayed in the room but took no part in the discussion)

Resolved:-

- (1) the summary of investigations into allegations of fraud and misconduct be received and that issues identified in the reports are being comprehensively and promptly addressed;
- (2) that the referral of two matters to West Midlands Police, and the Council's Monitoring Officer be noted;
- (3) that the disposal of land issue be referred to the Council's Monitoring Officer;
- (4) that the progress in relation to the implementation of all agreed recommendations be monitored through regular progress report/action plan to the Audit Committee;
- (5) that the Interim Director – Resources and the Monitoring Officer be requested to review the decision on Councillor I Jones and Councillor Rouf's involvement in the disposal of a plot of land;

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- (6) that, a further report be submitted to a future meeting of the Audit Committee regarding commercial arrangements entered into by elected members of Council.
- (7) that, the former Service Manager responsible for the service at the time and the initial complainant be invited to the next available Committee.

3/17 Update on the Annual Governance Statement Action Plan

Further to Minute No. 22/16 ,the Committee received an update of its Governance Statement Action Plan for 2015/16.

The Committee noted progress updates on the implementation of action in relation to the following areas:-

- Children's Services;
- resilience of the Medium Term Financial Strategy;
- business continuity planning;
- land sales and other matters;
- Combined Authority;
- Sandwell Leisure Trust;
- health and social care reforms;

4/17 CIPFA – Audit Committee Update Issue 21

The Committee noted the latest publication issued by CIPFA which focussed on internal audit quality assessments.

5/17 Counter Fraud Update

The Committee noted the counter fraud agenda continued to gain significant prominence from central government, which promoted a wide range of counter fraud activities and initiatives.

Members were updated on counter fraud activities and partnership working across the West Midlands.

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The Committee congratulated the Counter Fraud Unit on their work to deliver an effective counter prevention and detection of fraud.

6/17 Internal Audit Progress Report

The Committee considered a report which summarised areas of work covered by Audit Services for the period ending 30th November, 2016. The report updated the Committee on progress made against the delivery of the 2016/17 Internal Audit Plan and gave details of the performance of the internal audit service.

The Audit Service Manager informed the Committee that due to the investigation work that had been ongoing, outcomes of that investigation would potentially impact on the overall Audit opinion.

7/17 Internal Audit Charter

It was reported that there was a statutory requirement for the provision of internal audit work in accordance with the proper audit practices. Those practices were effectively the public sector internal audit standards, which were reflected in the Council's Internal Audit Charter.

The Internal Audit Charter was initially approved by the Audit Committee in September 2013 (see Minute No. 26/13) and was now due for review. Since its approval a new mission for internal audit standards and core principles had been introduced to ensure high quality practices.

Resolved that the revised Internal Audit Charter be approved.

8/17 Self-Assessment of Good Practice and Effectiveness

The Chartered Institute of Public Finance and Accountancy (CIPFA), in its Practical Guidance For Local Authorities 2013 edition, recommended that an Audit Committee should carry out a regular review of its performance and effectiveness alongside a number of other self-assessment activities.

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Resolved that the Committee undertakes a self-assessment of good practice exercise, based on the Model provided by CIPFA.

9/17

Strategic Risk Register Update

The Committee gave consideration to the Council's Strategic Risk Register in order to gain assurance that risks to the delivery of the Council's key priorities were being managed.

The Committee received an update on risk 4 relating to children's social care previous Ofsted inspection and risk 4b in establishing the Children's Services Trust in line with statutory direction.

Members requested that information regarding data breaches be provided at the next meeting in order to provide further assurances on the mitigations in place to manage compliance with this risk.

Resolved that information regarding Council data breaches be submitted to the next meeting.

(Meeting ended at 7.25pm)

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