

Minutes of the Audit and Risk Assurance Committee

**17th August, 2017 at 6.00 pm
at Sandwell Council House, Oldbury**

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

Apologies: Councillors Allcock and Sandars.

1/17 **Minutes**

Resolved that the minutes of the meeting held on 23rd March 2017 be confirmed as a correct record.

2/17 **Statement of Accounts 2016/17**

The Committee received the Statement of Accounts for 2016/17.

In accordance with the Accounts and Audit Regulations 2015, the Council's 2016/17 Statement of Accounts was approved by the Council's Section 151 Officer on 31st May 2017. Minimal audit adjustments had been required in 2016/17.

Members noted that the level of the General Fund Balance stood at £11.684m. Despite the significant financial challenges facing the Council, this represented a consistent position with free balances as at 31st March 2017, showing a slight decrease from the comparative figure of £12.141m. This level of free balances was also in line with prudent cash management policies.

Provisions of £2.164m had been used in-year to support expenditure on termination benefits and insurance fund provision. New provisions totalling £11.667m had also been established in 2016/17.

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The Housing Revenue Account ring fenced fund had been reduced by £1.784m in year to £32.937m as at 31st March 2017. Of the £32.937m, £7.400m represented Housing Revenue Account working balances, £11.200m was earmarked for capital investment purposes, £9.792m was earmarked for contingencies and carry forward commitments, with the remaining £4.545m representing uncommitted resources, which was deemed a prudent position based on the Council's reserves strategy.

School Balances were ring fenced and could not be appropriated by the Council. In 2016/17, school balances were reduced by £1.345m leaving a revised balance of £34.406m as at 31st March 2017.

Resolved:-

- (1) that the Statement of Accounts for 2016/17 be approved;
- (2) that the Management Representation Letter for 2016/17 be approved.

3/17

KPMG - External Audit Report 2016/17

The Committee received a report which outlined the key issues identified by KPMG during its audit of the Council's financial statements for the year ended 31st March, 2017 and its assessment of the Council's arrangements to secure value for money in its use of resources.

The auditors proposed to issue an unqualified audit opinion on the Council's financial statements.

The auditors concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The only area where auditors felt that further work would be required was in relation to the formation of the Children's Trust.

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In relation to comments made by auditors on the robustness of decision-making, the Executive Director – Resources reported that a process for recording the departure of senior officers was currently being developed to address this point.

4/17

Annual Governance Statement 2016/17

The Committee received its draft Governance Statement for 2016/17 which formed part of the Council's Statement of Accounts.

The Committee noted that the Governance Statement was based upon an ongoing process which was designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact they could have upon the authority.

To support the preparation of the statement, each Director had completed an assurance statement which had fed into the Governance Statement and any weaknesses identified had been included within the Statement.

Members noted that the Council had significant governance issues arising in the following areas:-

- Children's Services;
- Children's Trust;
- resilience of the Medium Term Financial Strategy;
- land sales and other matters;
- compliance with Contract Procedure Rules and allocation of grants;
- business continuity.

The Committee was advised that a plan detailing the actions that were being taken to address these areas had been prepared. Updates on the progress made in implementing these actions would be presented to the Committee throughout the year.

Resolved That the Council's Annual Governance Statement for 2016/17 be approved.

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5/17 Annual Internal Audit Report 2016/17

The Committee received the annual internal Audit Report for 2016/17 which detailed the adequacy and effectiveness of the Council's governance, risk management and control processes.

A summary of the key control issues that arose during the year was detailed as follows:-

- Neighbourhood Services - grants;
- Grot Spot funding;
- Off-contract spend with Grounds Maintenance and Parks and Green Spaces.

The Committee raised concerns on the allocation of grot spot/community grant funding to external organisations and sought reassurance on how monies were allocated and performance was monitored. In response, the Executive Director - Resources reported that a process was currently being developed to ensure that when an organisation applied for funding, they would be able to demonstrate where spend had been allocated. The Chair subsequently requested that members of scrutiny should be consulted on the proposed grot spot/community grant funding policy prior to being approved.

Resolved:-

- (1) that the Executive Director – Resources ensure that scrutiny considers the proposed protocol for the allocation of community grant funding to external organisations prior to approval by Cabinet;
- (2) that the Annual Internal Audit Report 2016/17 be received.

6/17 Audit Committee Annual Report 2016/17

The Committee gave consideration to the Annual Report of the former Audit Committee which detailed the areas of work undertaken by the Committee during 2016/17.

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Resolved That the Annual Report of the former Audit Committee 2016/17 be approved and presented to the next meeting of the Council.

7/17 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.

Members requested that in the aftermath of the Grenfell Tower tragedy, the Council's preparedness for emergency planning, including a terrorist attack, should be considered for inclusion as a risk at a strategic level. The Committee also requested that the following should be considered for inclusion within the risk register:-

- proposals for a Combined Authority cyber security strategy;
- the requirements of the new General Data Protection Regulations

Resolved That the following be considered for inclusion within the Strategic Risk Register:-

- proposals for a wider cyber security strategy in the West Midlands Combined Authority;
- the Council's preparedness in the event of an emergency, including a terrorist attack;
- the requirement under the new General Data Protection Regulations.

8/17 Counter Fraud Update Report

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

For the financial year 2016/17, the Counter Fraud Team identified a total of 211 cases where Single Person Discounts (SPD) had been awarded incorrectly. The council tax liability which resulted from these cases was £82,999. Of the cases identified, 73 were also issued with a penalty of £70.

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Penalty fines totalled £5,110. The penalty system had been introduced by the Council in order to act as a deterrent to those that attempted to claim SPD incorrectly or failed to promptly report changes in circumstances.

The Team had also been approached by the BBC One TV Series, Council House Crackdown to feature in episodes of its upcoming series'. Following approval members of Counter Fraud Unit, along with the Leader, had been filmed highlighting the work the Council undertook in tackling social housing fraud.

The Committee congratulated the Counter Fraud Unit on its work to deliver an effective service on prevention and detection of fraud and noted that the Team had been nominated for the Local Government Counter Fraud Team Award.

9/17 CIPFA – Audit Committee Update: Issue 22

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

10/17 Restrictions placed on the sale of the Public Toilets

Further to Minute No. 38/16 of the former Audit Committee whereby the Committee interviewed Councillor Ian Jones at its meeting on 15th December 2016, the Committee received an update on details on the restrictions placed on the sale of the public toilets, following Councillor Jones's comments that such restrictions would have resulted in a reduction of their value.

11/17 Chronology of the sale of the Public Toilets and the Cabinet role of Councillor Ian Jones

Further to Minute No. 38/16 of the former Audit Committee in relation to the Committee interviewing Councillor Ian Jones at its meeting on 15th December 2016, the Committee now received details of the chronology associated with the sale of the public toilets along with Councillor Jones's term as a Cabinet Member of the Council over this period, including his portfolio responsibilities.

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Whilst it was noted that at the time of the sale of the public toilets, Councillor Jones was not the Cabinet Member with portfolio responsibility, he was at that time, a member of the Asset and Land Committee.

The Committee subsequently requested clarification on who authorised Legal Services to dispose of the site and the checks made by Legal Services to ascertain the purchaser of the public toilets. The Committee also felt that the Executive Director – Resources should review the process of checking the identity of the purchaser for all future disposal/purchases of Council land.

Resolved That the Executive Director – Resources submit an update to the next meeting of the Audit and Risk Assurance Committee to clarify the authority given to Legal Services to dispose of the public toilets site and the checks that were made by Legal Services to ascertain the purchaser of the public toilets.

12/17

Work Programme 2017/18

The Committee noted its work programme for 2017/18 and requested that a regular report be brought to the Committee outlining outstanding actions.

Resolved:-

- (1) that the Financial Regulations item currently scheduled for 21st September 2017 be deferred to the January 2018 meeting;
- (2) that an update on the planned leavers scheme and succession planning of service management be considered at the March 2018 meeting;

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- (3) that all future Committee meetings should commence at 5.00pm.

(Meeting ended at 8.00 pm)

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