

Agenda

Audit and Risk Assurance Committee

Tuesday, 11 January 2022 at 5.00 pm
At Council Chamber - Sandwell Council House, Oldbury

This agenda gives notice of items to be considered in private as required by Regulations 5 (4) and (5) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

- 1 Apologies for Absence**
- 2 Declarations of Interest**

Members to declare any interests in matters to be discussed at the meeting.
- 3 To confirm the minutes of the meetings held on 18 November and 21 December 2021 as a correct record** 7 - 20
- 4 Urgent Business**

To consider any urgent business.
- 5 Internal Audit Progress Report** 21 - 32

To inform the Committee of details of the matters arising from internal audit work undertaken between April and November 2021.
- 6 Internal Audit Charter** 33 - 38



For the Committee to perform its annual review of and approve the Internal Audit Charter.

7 **Appointment of the External Auditor** 39 - 50

To consider the options available and make a recommendation to the Council on the appointment of external auditors.

8 **Strategic Risks Deep Dive: Risk 056- Towns Fund Programme and Risk 061- Partnerships and Contractors Service Delivery** 51 - 60

To review and comment upon the two strategic risks.

9 **Special Educational Needs and Disabilities (SEND) Passenger Transport Contract Update** 61 - 88

To receive an update following the internal audit review and the Grant Thornton Value for Money Governance Review - Key Line of Enquiry 04 relating to SEND transport.

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Distribution

Councillor M Gill (Chair)
Councillors Ager, Akpoteni, Allen, Anandou, Hussain, Jones, J Webb and
Hussain

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Minutes of Audit and Risk Assurance Committee

**Thursday 18 November 2021 at 5.00 pm
at Council Chamber, Sandwell Council House, Oldbury**

Present: Councillor M Gill (Chair)
Councillors Akpoteni, Anandou, Z Hussain, Jones and Webb.
Mr Ager and Mr J Hussain (Independent Members).

Also present: Councillor Fisher and Zoe Thomas (Audit Manager - Grant Thornton).

Officers: Neil Cox (Director of Business Strategy and Change), Simone Hines (Director of Finance), Surjit Tour (Director of Law and Governance and Monitoring Officer), Peter Farrow (Head of Audit Services), Rebecca Maher (Head of Finance), Matt Powis (Senior Democratic Services Officer). Mateusz Sliwinski (Democratic Services Officer).

54/21 **Withdrawal of Agenda Item 13 (SEND Passenger Transport Contract)**

The Chair announced that, in accordance with Standing Order 20 (2), he was withdrawing agenda item 13 (SEND Passenger Transport Contract) from the agenda. The matter would be reported on at a future meeting, once external auditors had presented their findings to the Council.

55/21 **Apologies for Absence**

An apology for absence was received from Councillor Allen.



56/21 **Declarations of Interest**

There were no declarations of interest.

57/21 **Minutes**

Resolved that the minutes of the meeting held on 16 September 2021 are approved as a correct record.

58/21 **Additional Items of Business**

There were no additional items of business to consider.

59/21 **Committee Terms of Reference Annual Review**

The Committee reviewed its terms of reference for 2021-22.

No changes were proposed to the terms of reference since the last review.

In response to a query about the role of the Committee in reviewing reports from other external assurance providers, the Head of Audit Services highlighted that where appropriate other reports of interest that may provide the Committee with additional tiers of assurance, would also be presented at future meetings of the Committee. This would be reflected in the Terms of Reference at the time of their next review.

In relation to the Treasury Management Code of Practice, it was current policy for this to be considered directly by the Cabinet. This was being reviewed, as part of the wider finance review.

Resolved that the revised terms of reference for the Audit and Risk Assurance Committee be approved for submission to the Council.



60/21 **Committee Work Programme 2021/22**

The Committee noted its work programme for this municipal year.

61/21 **Audit Findings Report 2019/20 – Update on Action Plan**

The Committee received an update on the progress the Council had made against the action plan which the external auditor, Grant Thornton, had produced as part of its Audit Findings Report for 2019/20.

It was noted that since the meeting in September, the majority of actions were being progressed or had been implemented. Several actions still had an amber RAG rating due to the following concerns:

- Progress on procuring a new asset management system had been delayed due to a lack of capacity within the procurement team. The team was in the process of appointing temporary staff which was to be concluded in the next couple of weeks.
- Progress on a number of actions, particularly the recommendations concerning IT controls, was dependent on the implementation of Oracle Fusion, which had been delayed. Alternative actions were being investigated and next steps were being agreed with Grant Thornton.

It was requested that the Committee be updated on the progress in addressing the unresolved issues on the action plan at the next meeting.

Members were assured that Grant Thornton was being informed of the progress made in addressing the action plan.

It was clarified that the issue identified around IT controls was specific to the implementation of Oracle Fusion finance system.

Regarding council property records, it was clarified this was an ongoing piece of work and part of Grant Thornton's audit review. Members were assured that implementation of the new asset



management system together with the work commissioned from an external supplier to review council's records would contribute to an improved robustness and accuracy of council's asset records.

The external auditors, Grant Thornton, provided their update on the Audit Findings Report Action Plan in connection with the 2019/20 Statement of Accounts and the 2020/21 Statement of Accounts.

Grant Thornton had not issued an opinion on the 2019/20 Statement of Accounts yet, due to ongoing work on the internal consistency of the accounts and the capital financing limit.

Auditors stated assurance had been given by the council's finance team that a revised 2019/20 Statement of Accounts, together with a record of all adjustments that had been made, would be received by the end of the week. Auditors received an update on the capital financing requirement from the council. Auditors needed to examine these documents before they could issue an opinion.

In relation to 2020/21 Statement of Accounts, auditors had received a draft set of accounts. Auditors stated assurances had been given that the final draft of 2020/21 accounts would be available within the next couple of weeks. The receipt of final draft would enable auditors' work on 2020/21 to be concluded.

Grant Thornton was to produce a value for money conclusion once work on 2020/21 statement of accounts had been finalised. A draft of the Governance Review was to be issued once details were agreed with council officers.

The following was noted in response to comments and questions:

- Finance team was currently undertaking extra quality assurance checks on 2020/21 accounts before the final draft could be passed to external auditors. This was to ensure there was no extensive audit delays as with the 2019/20 accounts.
- The Director of Finance explained that 2019/20 Statement of Accounts was brought before the Committee in September 2021 and approved (Minute No. 49/21). At that point, the



finance team was of the view they were complete and ready for the opinion of external auditors.

- Queries raised following the September meeting resulted in work continuing on the 2019/20 accounts. Subsequently, work on 2020/21 accounts was paused, so 2019/20 statement of accounts could be finalised, and opinion could be given by Grant Thornton.
- Work on 2019/20 accounts was to be completed by 20 October 2021 and the final draft of 2020/21 accounts was to be completed by the end of the following week.
- Members proposed that deadlines of submitting accounts in future years be made available to Councillors and published online to ensure transparency.

Resolved that the Audit Findings Report 2019/20 is noted.

62/21

Voluntary and Community Sector Grants Update

The Committee received an update on the latest arrangements regarding how the council planned to maintain an appropriate oversight and management of grant funding to the voluntary and community sector and how it would ensure that a strategic relationship with the sector continued to deliver the aspirations of the Corporate Plan.

Key documents issued by the council, particularly the Sandwell Compact and the Voluntary and Community Sector Funding Protocol, outlined how the relationship between the council and the voluntary organisations and the provision of grants was governed.

A voluntary sector grants working group led by the former Executive Director of Neighbourhoods in 2018/19 had recommended establishing a centralised budget for grants paid to the voluntary and community sector and implementing more robust monitoring to create a collective overview of activity. This approach was agreed by leadership team of the council in February 2020 and led to the establishment of the Investing in the Voluntary and Community Sector Strategic Group (IITVCS group).



Limited progress had been made due to factors including changes in the council's senior leadership team and a focus on the Covid-19 pandemic.

The main challenge in terms of oversight was that commissioners from different directorates had been using different approaches to how they awarded and monitored grant funding. There was also a lack of information sharing across directorates to enable an organisational understanding of what activity was being funded across the sector and the outcomes derived from such funding. This fragmented approach resulted in lack of strategic ownership and direction at leadership level.

In October 2021, the leadership team agreed to centralise the voluntary sector support grant budget but retain commissioning responsibility within directorates. This would result in the overall budget for grant funding being centralised into the Business Strategy and Change directorate, along with the administration of issuing grants and the Director for Business Strategy and Change would formally take the lead on developing and managing the organisation's relationship with the sector, whilst decision making on the allocation of grants would be retained by the IITVCS group.

The Director of Business Strategy and Change was to lead on developing and maintaining the council's relationship with the voluntary and community sector. Decision making on the allocation of grants would be retained by the strategic group consisting of directors who funded voluntary sector activity within their areas.

Directorates would retain responsibility for identifying where grants would add to/support the delivery of desired outcomes and retain knowledge of and relationships with relevant local organisations. Any changes to grant arrangements or new grants, however, would now need to be agreed corporately via the Voluntary & Community Sector Strategic Group (IITVCS group).

These arrangements necessitated a more robust financial reporting on grants and activity, along with a good working relationship between commissioners and the IITVCS group. It would also provide clear governance arrangements for decision making and provide stronger foundations for beginning to build an effective strategic relationship with the sector.



The following was noted in response to comments and questions:

- It was clarified that at present each directorate retained its allotted grant funding within its own budget and would make decisions and payments using that budget.
- Once sufficient progress had been made, the Committee would receive regular updates as there would be a central record of all the funding released by the council to voluntary organisations along with reasons why the grant was given.
- Each grant made to the voluntary organisation was currently captured in the budget of the directorate making that grant. In the next financial year, all grants would be recorded in a central budget (under Directorate of Business Strategy and Change) to provide oversight of all payments made by the council. Directorates had been assured they would retain control over what they contributed to the voluntary sector.
- Currently the grants being paid out were subject to verification in the form of schemes of delegation in place and the strategic group which was overseeing any future grant awards. This provided independent verification separate from individual directorates that were awarding the money.
- In future, there would be a proposal and rationale behind what the grants were awarded for which would be examined by the Council's Leadership Team.
- The central record of the grants paid to voluntary sector was to be finalised within the next few weeks and the snapshot of that record would be presented to the Committee at the next meeting.

63/21 **CIPFA Audit Committee Update**

The Committee noted the latest edition of the Chartered Institute for Public Finance and Accountancy's (CIPFA) Audit Committee Update.

64/21 **Strategic Risk Register Update**

The Committee noted an update on the Strategic Risk Register.



The Committee was updated on the profile of the key risks currently faced by the council and any new risks which emerged since the risk register was last reported in July 2021.

The risks categorised as red and faced by the council related to children's social care, GDPR, medium term financial strategy (with the local government finance settlement to be published in the following month), cyber security and the towns fund programme.

Emergency planning, business continuity, commonwealth games aquatic centre, Oracle Fusion (business management system) implementation, and Grant Thornton audit findings recommendations were among the amber risks.

The risk score of a number of issues had changed since the last update to the Committee. The assessment of risk 4 on the register, children's social care, had reduced to 12 (red), which was due to improvements in staffing levels, a permanent senior leadership team being in place in the operational area of the Children's Trust. In addition, a recent review by Ofsted of the Council's fostering service which found all areas to be rated as "Good", demonstrating a positive direction of travel.

The target date for risk 53, Oracle Fusion (previously referenced as Business Management System), had been moved back due to delays in the project implementation. The assessment of risk 56, Towns Fund Programme, had increased from amber to red, due to delays in the production of business cases and the full establishment of the programme management office (due to key officer absence). Remedial actions were being implemented, including the transfer of a Senior Regeneration Officer to manage the programme; an external recruitment process and additional resources allocated to the production of some of the business cases.

Several new risks had been identified for inclusion as separate risks in the risk register, which had previously been under the umbrella of other risks:-



- Risk 27b – In year budget monitoring and management which considered the arrangements in place to ensure the Council operated within the resources available and allocated in its budget and that planned savings and efficiencies were being delivered and achieved.
- Risk 61- Partner/ contractor delivery of services. This risk considered the arrangements in place to ensure effective contract management arrangements were in place, in particular within the Council’s key contracts, to ensure compliance with the contract terms, good quality service delivery and to provide assurance on value for money.

The following was noted in response to comments and questions:

- A member expressed concerns that the council had too many risks to prioritise. He sought clarification regarding target dates and whether officers had been realistic with deadlines. In response, due to senior officer shortages there had been some delays in achieving some of the deadlines set out in the report. However, the council was optimistic that the new leadership team would review and set forth appropriate completion deadlines within the register.
- In response to a query regarding the Towns Fund completion date, the Director of Finance confirmed that the end of March 2022 was the final submission date for the business cases. Therefore, there was an assumption that upon the completion of the business cases, the risk would have been managed.
- In respect of Risk 61, a member highlighted that it was important that the management of contractors was on the risk register.
- A member sought clarification on the current Grant Thornton review of value for money and governance. There were several lines of enquiry which had a strong focus on improving governance within the council. The final report on the external auditors investigation was due at the end of November 2021. It was noted that the final report and recommendations would be presented to the Committee at a future meeting.
- The Chair confirmed that the Committee would carry out a deep dive on the management of contractors (Risk 61) and the Towns Fund (Risk 56) at its next meeting.



- A member sought clarification on Business Continuity Management (BCM) plans only covering in-house council matters and no external contractors. In response, it was confirmed that relationships between business partners was closely aligned with contract management within the risk register. Therefore, BCMs were still an identifiable council risk.
- A member sought clarification on the amber rating for equalities. In response, it was confirmed that there were several equality duties which the council was obligated to fulfil. The council had established an equality commission as part of its drive to focus on equality improvements and provide appropriate assurances.
- The Chair sought clarification on GDPR training for council employees. In response, the Director of Law and Governance and Monitoring Officer confirmed that annual training for all employees was expected. In addition, training for members would be finalised in the next few weeks.

Resolved that detailed reports are submitted to the next meeting in respect of the following strategic risks:-

- Risk 056- Towns Fund Programme
- Risk 061- Partnerships and Contractors Service Delivery

65/21

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 information which is likely to reveal the identity of an individual.



Update on Previous Recommendations

The Committee noted the progress with regards to the resolutions it had made at the meeting on 16 September 2021 (Minute No. 47/21 refers).

Meeting ended at 6.29 pm.

Contact: democratic_services@sandwell.gov.uk



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Minutes of Audit and Risk Assurance Committee

**Tuesday, 21 December 2021 at 5.00 pm
at Council Chamber - Sandwell Council House, Oldbury**

Present: Councillor
Councillors Akpoteni, Allen and Anandou

Also present: Stocks

Rebecca Maher (Director of Finance/ Deputy S151 Officer)

67/21 **Election of Chair**

Resolved that Councillor Allen is elected Chair for the meeting.

68/21 **Apologies for Absence**

Apologies were received from Councillors M Gill (Chair), Z Hussain, Jones and Webb; and Messrs Ager (Vice-Chair) and J Hussain (Independent Member).

69/21 **Declarations of Interest**

There were no declarations of interest made.

70/21 **Additional Items of Business**

There were no additional items of business to consider.



Statement of Accounts and Audit Findings Report 2019/20

Further to Minute No. 49/21 (of the meeting held on 16 September 2021) the Committee was informed that the outstanding audit issues had now been resolved on the 2019/20 Statement of Accounts, however, this had led to further adjustments to the accounts.

The adjustments related to a change in the calculation of the Council's Capital Financing Requirement and adjustments to the way in which internal recharges were presented in the accounts and specific grants.

The Committee noted the detail of each adjustment, which was presented in the accompanying revised Audit Findings Report 2019/20. The adjustments were presentational only, however, due to the value of them referral to the Committee was required.

The Committee would be kept informed on progress regarding the governance issues highlighted in the 2018/19 Governance Statement.

Resolved that the revised Statement of Accounts 2019/20, as now submitted, is approved.

Meeting ended at 5.40 pm

Contact: democratic_services@sandwell.gov.uk

Report to Audit and Risk Assurance Committee

11 January 2022

Subject:	Internal Audit Progress Report
Director:	Simone Hines Director of Finance & Section 151 Officer
Contact Officer:	Peter Farrow Audit Services and Risk Management Manager, peter_farrow@sandwell.gov.uk

1 Recommendation

- 1.1 That the Committee reviews and comments upon the Internal Audit Progress Report.

2 Reasons for Recommendation

- 2.1 To inform the Committee of details of the matters arising from internal audit work undertaken between April and November 2021.



3 How does this deliver objectives of the Corporate Plan?

Internal Audit operates across the council and helps it accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

4 Context and Key Issues

4.1 The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken between April and November 2021.

4.2 The purpose of the report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2021/22 Internal Audit Plan. The information included in the progress report will feed into and inform the overall opinion in the Internal Audit Annual Report issued at the year end.

4.3 It summarises the audit work undertaken between April and November 2021, this includes:

- the areas subject to review (auditable area)
- the level of audit need assigned to each auditable area (high, medium or low)
- the number and type of recommendations made as a result of each audit review.
- the number of recommendations accepted by management.
- the level of assurance given to each system under review.
- details of any key issues arising from the above.

4.4 It also highlights any key changes to the initial Internal Audit Plan.

5 Alternative Options

5.1 The purpose of the report is to inform the Audit and Risk Assurance Committee on progress against the 2021/22 Internal Audit Plan. As such, there is no alternative option.



6 Implications

Resources:	There are no direct resource implications arising from this report.
Legal and Governance:	Internal audit is a statutory service in the context of the Local Government Accounts and Audit Regulations (Amendment)(England) 2015. The Act states that: <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”</i> . These Standards have been adopted by the council’s internal audit section.
Risk:	The agreed actions detailed in Internal Audit reports are designed to mitigate risks.
Equality:	It was not necessary to undertake an Equality Impact Assessment.
Health and Wellbeing:	There are no direct health and wellbeing implications from this report.
Social Value	There are no direct social value implications from this report.

7. Appendices

There are no appendices.

8. Background Papers

Internal Audit Progress Report



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Internal Audit Progress Report as at November 2021



1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2021/22 Internal Audit Plan.

The information included in this progress report will feed into and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

No Assurance	Limited	Reasonable	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Fundamental	Action is imperative to ensure that the objectives for the area under review are met.
Significant	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
Merits attention	Action advised to enhance control or improve operational efficiency.

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For school reviews, the overall opinion is based on the following criteria to match the assurance categories awarded by Ofsted:

Inadequate	<ul style="list-style-type: none">• Risk of objectives not being achieved due to the absence of key internal controls, with significant breakdown in the application of controls.
Satisfactory	<ul style="list-style-type: none">• Reasonable framework of key controls exists, but could be stronger to support achievement of objectives, with occasional breakdown in the application of controls.
Good	<ul style="list-style-type: none">• Effective framework of key controls ensures objectives are likely to be achieved and controls are applied but with some minor lapses.
Outstanding	<ul style="list-style-type: none">• Robust framework of key controls ensures objectives should be achieved and controls are applied continuously.

The overall opinion for each of the school reviews is based upon the number and type of recommendations we make in each report, in line with the recommendation classifications for non-schools, i.e. fundamental, significant and merits attention.

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2 Summary of work completed between 1 April 2021 and XXXXXXXX

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AAN	Assessment of Assurance Need Rating (High/Medium risk).
*	Awaiting Response (all longstanding responses will be brought to the attention of the committee throughout the year for monitoring purposes).
N/A	Not Applicable, review outside of normal risk-based auditing approach/customer request/grant claim.

Auditable Area	AAN rating	Recommendations			Total	Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention			
Covid-19 Compliance and Enforcement Grant 2020/21	N/A	-	-	-	-	-	N/A
Schools Financial Value Standard	N/A	-	-	-	-	-	N/A
Housing Benefit Subsidy Final Claim certification	N/A	-	-	-	-	-	N/A
Housing Benefit Mid-Year Subsidy Claim Estimate 2021/22	N/A	-	-	-	-	-	N/A
Discretionary Housing Payments Final Claim Certification	N/A	-	-	-	-	-	N/A
Discretionary Housing Payments follow up	Medium	-	-	1	1	1	Substantial
Bank Changes follow up	High	-	1	-	1	1	Reasonable
Income Management (including write offs)	Medium	-	3	-	3	3	Reasonable
Riverside, Rents	High	-	4	1	5	*	Limited

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Audits underway as at November 2021
• Data Protection and Security Toolkit Independent Review
• Procurement and Contract Compliance
• Disposal of Land
• Follow up of 'Day to Day' Repairs
• Budgetary Control
• Follow up of New Build Programme
• Refurbishment of Highrise Buildings
• Benefits
• Accounts Receivable

3 *Issues to bring to the committee's attention for the period April to November 2021*

Covid-19 Compliance and Enforcement Grant 2020/21

We have carried out appropriate tests and checks, and determined that in all significant respects, the conditions attached to the use of the grant had been complied with.

Schools Financial Value Standard 2020/21

The Schools Financial Value Standard (SFVS) is applicable to all maintained schools and is a mandatory self-assessment exercise that must be completed annually. The standard is a tool to help schools and local authorities meet basic standards for good financial health and resource management. We are responsible for administering the completion and submission of the self-assessments and for informing the Department for Education of the submission rate. For 2020/21, all maintained schools in Sandwell completed and submitted the self-assessment.

Mid-Year Subsidy Claim Estimate 2021/22

The Council is required to submit a mid-year subsidy claim estimate for housing benefit. We undertook a review to confirm that the information contained in the return was in accordance with the Acts specified in the guidance notes and the relevant regulations, determinations, directions, circulars, notes, instructions and other agreed arrangements. No issues were identified which prevented submission of the claim to the Department for Works and Pensions.

Bank Changes Follow up

Back in 2017/18 the Council had been the victim of a bank mandate fraud resulting in the loss of £16,000. Following which an audit report was issued and the controls and processes around the changing of bank account details was significantly tightened. In our latest review we checked that these controls were now embedded and the risk of future losses reduced.

We noted that one recommendation remained outstanding, whereby the number of changes made to supplier details was not being reconciled to the number of amendment forms

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received from suppliers as the system was unable to run a suitable report showing such changes. However, it was noted that management continue to explore this situation further and ultimately will be seeking to enable suppliers to take responsibility for updating their own records via the i-supplier portal in the new Oracle Fusion financial system, once implemented.

Income Management (including write offs)

The Income Management team is responsible for recovering rent arrears. Both current, former tenant arrears and a sample of write offs were included within this review. Our review noted that at the time the Corporate Debt Recovery/Write Off Policy had not been consolidated to include the Former Tenant Arrears and Housing Rents write off policies. However, this has since moved forward with the policy framework being presented to Cabinet for 2021/22. A comprehensive review of the policy will still need to take place to include the new legislation which impacts on all debt recovery known as 'breathing space'.

We also noted that following a review of the former tenant arrear accounts, 59 historic accounts which were at the write off stage had not been written off with a total value of £22,632 with one dating back to 2016. Since the review a new process has been implemented whereby cases recommended for write-off that do not get written off are returned to Income Management for review/action. The 59 historic write-off cases were subsequently actioned.

Riverside, Rents

Riverside manage a proportion of the councils housing stock under a PFI agreement that has been in place since 2006. The housing rents section at Riverside is responsible for collecting rent, the recovery of rent arrears and former tenants' arrears. A full review was undertaken which included following up the previous year's recommendations to ensure they had been implemented. Four issues were found where improvements could be made, one of which remained outstanding from the previous year and included:

- The rent debit reconciliation which provides a reconciliation of all the changes raised/rent debit each month and allows the Contract Manager to determine whether the rent collection requirements included within the contract have been met was still not completed each month in a timely manner. At a recent meeting attended by the Contract Manager, Riverside stated this would be addressed.
- The property extract reconciliation (rent variation spreadsheet) which provides evidence of the housing stock had not been updated to omit six properties that were sold under the right to buy. Although this was picked up by the council when undertaking the reconciliation, it did initially inflate the stock figures reported.
- Riverside arrears have continued to increase for a third year running and although the pandemic will account for some of this increase it is a trend that needs to be addressed.
- Although forming part of the contract, evidence of relevant arrears letters sent out was not provided on the screen prints requested and sent by Riverside. With the council having no access to Riverside systems at present full assurance on the testing undertaken could not be given. Although not yet provided it has been agreed for audit to have 'view only access' to the Riverside system.

Key changes to the 2021/22 Audit Plan to bring to the attention of the Audit and Risk Assurance Committee

The following reviews were initially included in the 2021/22 Internal Audit Plan but have been subsequently deferred until the following years plan:

- **Working with the Voluntary and Community Sector** – with a focus on how the new grants process is operating. A separate report was presented to the Audit and Risk Assurance Committee in November 2021 highlighting that a new process for the administration and monitoring of these grants was being introduced, and that once embedded this would be subject to a review in the following year.
- **Oracle Fusion Programme** – a review of how the new business management system is being implemented. An update report on the current situation with regards to this implementation was reported to Cabinet in December 2021. It was also a Key Line of Enquiry in the External Auditors Value for Money Governance Review also presented to Cabinet in December 2021. In their report, the External Auditors made the following recommendations:

The Council must prioritise corporate effort to:

- *Ensure that temporary support is agreed with Oracle for EBS continuity.*
- *Have an honest and frank discussion with Inoapps and urgently agree a clear resolution on the way forward.*
- *Review governance arrangements so that good practice (such as Managing Successful Programmes) is in place and embedded, including clarity on the SRO role and approach to risk management.*
- *Review the resourcing and scope of the implementation to ensure that it is realistic, given current circumstances, focuses on outcomes as well as costs, and there is organisation wide engagement and ownership of the programme.*
- *Confirm a realistic and achievable go live date.*
- *Ensure for future major projects a full business case is developed and approved.*

An action plan is being prepared by the Council in order to ensure that these recommendations are being implemented. We plan to review progress against this in the new year. However, we remain available to provide any real-time assurance as and when required.

- A high-level review on how the Council continued to respond to the challenge of transforming itself as a result of the changes brought about by Covid-19 was initially planned. However, following the completion of the recent senior management restructure, alongside the recommendations made in the External Auditors Value for Money Governance review referred to above, these will now form the drivers behind the future transformation of the Council. Therefore, one of our key focuses in next year's audit plan will be on the success of this process.

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4 Other activities undertaken by Audit Services

Send Passenger Transport Contract

Following a number of concerns raised through various routes regarding the latest SEND Passenger Transport Contract exercise, a fact-finding review was undertaken in order to make an initial assessment of the concerns raised and the report has been shared separately with the members of the Audit and Risk Assurance Committee.

Since the review, the Council's Children's Services and Education Scrutiny Board has had oversight of, and a report on the findings of a separate Scrutiny review into SEND transport which was considered by the Board in September 2021. Subsequently, recommendations were made to Cabinet on 20 October, covering the commissioning of SEND Transport for the end of the current extended contract period, matters relating to the longer-term delivery of SEND Transport and other, more general, recommendations on the topic.

CIPFA – Audit Committee Updates

We continue to present the regular CIPFA Audit Committee Updates to the committee as and when they are published.

Audit and Risk Assurance Committee – Terms of Reference

We continue to review and update the Audit and Risk Assurance Committee Terms of Reference on an annual, basis.

Internal Audit Plan

The Internal Audit annual plan for 2021/22 was submitted to, and agreed by the Audit and Risk Assurance Committee for approval.

Audit and Risk Assurance Committee Annual Report

Assistance was provided in the preparation of the Annual Report on the work of the Audit and Risk Assurance Committee that was presented at Council in October 2021.

Internal Audit's role in investigating allegations of Fraud

We continue to take part in investigations into allegations of potential fraud and where appropriate these are reported separately to the committee.

Annual Governance Statement

We play a key role in the preparation of the Annual Governance Statement which forms part of the annual published Statement of Accounts.

Advice and Guidance

We provide on-going advice and guidance to the council to assist with the continuous improvement of the overall control environment and to ensure compliance with relevant new legislation.

Liaising with the External Auditors

Where required, we continue to work with and assist the Council's External Auditors.

[ILO: UNCLASSIFIED]

Report to Audit and Risk Assurance Committee

11 January 2022

Subject:	Internal Audit Charter
Director:	Simone Hines Director of Finance and Section 151 Officer
Contact Officer:	Peter Farrow Audit Services and Risk Management Manager, peter_farrow@sandwell.gov.uk

1 Recommendation

- 1.1 That the Committee reviews and approves the Internal Audit Charter.

2 Reasons for Recommendation

- 2.1 For the Audit and Risk Assurance Committee to perform an annual review of and approve the Internal Audit Charter.

3 How does this deliver objectives of the Corporate Plan?

Internal Audit operates across the council and helps it accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

4 Context and Key Issues

- 4.1 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards' and the council's Internal Audit Charter reflects this. The Charter was originally approved by the Audit and Risk Assurance Committee in September 2013 and has been reviewed by the committee annually since and is now due for its latest review.

4.2 There have been no changes since the Charter was last reviewed.

5 Alternative Options

5.1 The purpose of the report is to inform committee of the latest Internal Audit Charter. As such, there is no alternative option.

6 Implications

Resources:	There are no direct resource implications arising from this report.
Legal and Governance:	Internal audit is a statutory service in the context of the Local Government Accounts and Audit Regulations (Amendment)(England) 2015. The Act states that: <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”</i> . These Standards have been adopted by the council’s internal audit section.
Risk:	The agreed actions detailed in Internal Audit reports are designed to mitigate risks.
Equality:	It was not necessary to undertake an Equality Impact Assessment.
Health and Wellbeing:	There are no direct health and wellbeing implications from this report.
Social Value	There are no direct social value implications from this report.

7. Appendices

There are no appendices.

8. Background Papers

None.

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Mission of internal audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles for the Professional Practice of Internal Auditing

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement

Authority and standards

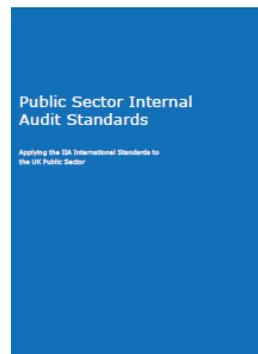
Internal audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment)(England) 2015. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements

The regulations state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. These Standards have been adopted by the council's internal audit section.

The responsibility for ensuring that the council has an effective internal audit has been delegated to the Chief Financial Officer/Section 151 Officer.

Internal audit have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Throughout the Public Sector Internal Audit Standards, reference is made to the terms 'Chief Audit Executive', 'board' and 'senior management'. For the purposes of this Charter, the 'Chief Audit Executive' is defined as the Audit Services Manager (Head of Audit) the 'board' as the Audit and Risk Assurance Committee and 'senior management' as the Leadership Team.



Scope and objectives of internal audit activities

The scope of work of internal audit is to determine whether the council's risk management, control, and governance processes are adequate and effective in order to ensure that:

- Key risks are identified and managed;
- Key financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the council's control process; and
- Key legislative and regulatory issues impacting the council are identified and addressed appropriately.

Internal audit's remit extends to the entire control environment of the council and not just financial controls.

Where other internal or external assurance providers may have undertaken relevant assurance and audit work, internal audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

Responsibilities

Internal audit has a responsibility to:

- Provide a cost effective and value added full internal audit service;
- Develop a flexible annual audit plan using a risk-based methodology;
- Implement the annual audit plan;
- Track status of outstanding management actions;
- Provide regular updates on the work of internal audit to the Audit and Risk Assurance Committee and where appropriate, senior officers;
- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation; and
- Work with the External Auditor and other review bodies to share assurance and minimise duplication.

Organisational independence

Internal audit is involved in the determination of its priorities in consultation with those charged with governance. The Audit Services Manager has direct access and freedom to report in his own name to all officers and councillors and particularly to those charged with governance. If required the Audit Services Manager may request to meet privately with the Audit and Risk Assurance Committee.

Internal audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement.

Accountability, reporting lines and relationships

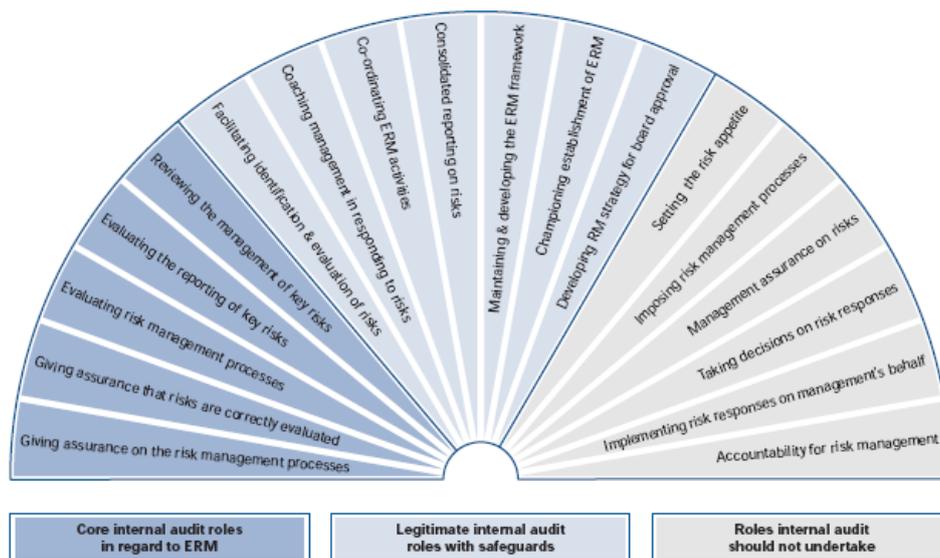
The Audit Services Manager reports on an administrative basis to the Head of Finance and reports functionally to the Audit and Risk Assurance Committee, the Chief Executive and

other senior management. The Audit Services Manager also, where appropriate, works closely with the Monitoring Officer. An Annual report will also be produced and presented to the Audit and Risk Assurance Committee which will include an 'opinion' from the Audit Services Manager on the adequacy and effectiveness of internal control, risk management and governance within the Authority.

A written report will be prepared by internal audit for every internal audit review. The report will be subject to an internal quality review before being issued to the responsible officer and, where appropriate, will include an 'opinion' on the adequacy of controls in the area that has been audited. The responsible officer will be asked to respond to the report in writing. The written response must show what actions have been taken or are planned in relation to each recommendation. Accountability for the response to the advice and recommendation of internal audit lies with management, who either accept and implement the advice or formally reject it.

The strategic element of risk management sits under the responsibility of the Audit Services Manager. There is a current post within the service area that leads on this. It should be noted that management remains responsible for risk management and Audit Services do not manage any of the risks on behalf of management.

In order to provide guidance on the roles that are permissible and the safeguards needed to protect internal audit's independence and objectivity, the council adopted the Chartered Institute of Internal Auditors (UK) position statement on the role of internal audit in risk management. Based on this position statement, the table below presents the range of risk management activities and indicates which roles Audit Services do and, equally importantly, do not undertake:



The full role and responsibilities of the Audit and Risk Assurance Committee are detailed in their terms of reference, which are based on the model provided by CIPFA in their "Audit Committees – Practical Guidance for Local Authorities".

Internal audit resourcing

Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal auditors need to be properly trained to fulfill their responsibilities and should maintain their professional competence.

The Head of Finance is responsible for the appointment of the Audit Services Manager, who must be suitably qualified and experienced. The Audit Services Manager is responsible

for appointing all of the other staff to internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Audit Services Manager is responsible for ensuring that the resources of internal audit are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient, this must be formally reported to the Head of Finance, and if the position is not resolved, to the Audit and Risk Assurance Committee.

Fraud

Managing the risk of fraud is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal audit may be requested by management to assist with fraud related work.

The council's Financial Regulations require that all suspected irregularities are reported to the Audit Services Manager, and the council's Anti-Fraud and Corruption Policy states that all frauds have to be reported to the S151 Officer, or their nominated officer (generally the Audit Services Manager) and that it is the responsibility of Audit Services to investigate any instances of fraud and corruption being perpetrated by any employee of the council.

Advisory work

The Public Sector Internal Audit Standards allow that internal audit effort may, where considered to have the right skills, experience and available resource, sometimes be more usefully focused towards providing advice rather than assurance over key controls. Any such internal audit involvement in consultancy and advisory work, would only take place where it would not constitute a conflict of interest in keeping an independent stance. Any significant additional consulting services will be approved by the Audit and Risk Assurance Committee beforehand.

External Clients

The Council's Internal Audit team provide the internal audit service to a number of additional clients. These currently are:

- West Midlands Fire Service
- Sandwell Children's Trust
- Sandwell Leisure Trust

Where such arrangements are in place, and where appropriate, there will be a separate Internal Audit Charter and reporting arrangements to these organisations respective Audit Committees (or equivalent).

Review of the internal audit charter

This charter will be reviewed annually by the Audit Services Manager and the Audit and Risk Assurance Committee.

Report to Audit and Risk Assurance Committee

11 January 2022

Subject:	Appointment of the External Auditor
Director:	Simone Hines Director of Finance and Section 151 Officer
Contact Officer:	Peter Farrow Audit Services and Risk Management Manager, peter_farrow@sandwell.gov.uk

1 Recommendation

- 1.1 That the Council be recommended to take up the invitation from Public Sector Audit Appointments to opt into the national scheme for auditor appointments from April 2023.

2 Reasons for Recommendation

- 2.1 To consider the options available and recommend that the Council takes up the invitation from Public Sector Audit Appointments (PSAA) to opt into the national scheme for auditor appointments from April 2023.

3 How does this deliver objectives of the Corporate Plan?

- 3.1** The external auditors are responsible for the independent audit of the Council's statutory accounts and arrangements for achieving value for money.

4 Context and Key Issues

- 4.1** The arrangement with our current external auditors Grant Thornton expires in 2022-2023, and a new external auditor has to be appointed before the end of December 2022.
- 4.2** The Secretary of State has confirmed PSAA in the role of appointing person for eligible principal bodies for the period commencing April 2023.
- 4.3** In September 2021 the Council received an invitation from PSAA to opt into the national scheme for auditor appointments from April 2023.
- 4.5** The Council previously opted into the national scheme for the appointment of its current external auditors, along with 98% of the sector. The alternative would be for the Council to procure its own external auditor.

5 Alternative Options

- 5.1** As indicated above, if the Council does not opt into the national scheme, it would need to procure its own external auditor. However, to do this would be a lengthy and complex process and would see the Council going against the vast majority of the sector.
- 5.2** The letter from PSAA appended to this report sets out a number of reasons why accepting the national scheme to opt-in is seen as the best solution. Examples given in the letter include:
- PSAA are a not-for-profit independent company limited by guarantee incorporated by the Local Government Association offering a value for money offer based on minimising PSAA costs and the distribution of any surpluses to scheme members (which they have done in the past).

- Collective efficiency savings for the sector through undertaking one major procurement as opposed to multiplicity of smaller procurements.
- Avoids the necessity for local bodies to establish an auditor panel and undertake and auditor procurement, enabling time and resources to be deployed elsewhere.
- Appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency.

5.3 Under Regulation 19 of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations) a decision to become an opted-in authority must be taken by the members of an authority meeting as a whole (i.e. Full Council or equivalent).

5.4 Therefore, the Audit and Risk Assurance Committee is asked to recommend to Council at its next meeting that the Council opts into the national scheme.

5.5 The closing date to give notice to PSAA of the Council’s acceptance of their invitation is Friday 11 March 2022.

5.6 PSAA expect to formally commence the procurement of audit services in February 2022 and at that time their procurement documentation will be available for opted-in bodies to view. Also, they plan to run a series of webinars covering specific areas of their work.

6 Implications

Resources:	<p>The recent Redmond Review identified that the fee structures and variation process surrounding the audit contracts administered by PSAA was insufficiently flexible and that local audit fees had reduced by 40% when compared against a 20% rise in central government and FTSE100 audit fees. This had led to difficulties in supporting the sustainability of the local audit market.</p> <p>The review recommended that the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full</p>
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	<p>extent of local audit requirements. As part of recent consultation, the Government has committed to amend the Local Audit (Appointing Person) Regulations 2015 to provide PSAA with more flexibility to agree both standardised and local fee variations that more closely match the actual costs of audit.</p> <p>The current budget set aside for the Council's audit fees, excluding provision for grant audit work, is £144,000. A further increase in external audit fees is anticipated going forward, though the government announced following the Redmond Review that additional funding would be made available to offset the rise in costs.</p> <p>The opt-in scheme does not include the audit arrangements for grants and housing benefit returns. PSAA has no power under the Local Audit and Accountability Act 2014 or the Regulations to make arrangements or appointments for assurance on grant claims and returns, and these would require a separate local arrangement as per current practice.</p>
Legal and Governance:	<p>Under Regulation 19 of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations) a decision to become an opted-in authority must be taken by the members of an authority meeting as a whole (i.e. Full Council or equivalent).</p>
Risk:	<p>There are no direct risk implications from this report.</p>
Equality:	<p>It was not necessary to undertake an Equality Impact Assessment.</p>
Health and Wellbeing:	<p>There are no direct health and wellbeing implications from this report.</p>
Social Value	<p>There are no direct social value implications from this report.</p>

7. Appendices

7.1 Invitation letter of 22 September 2021 from Public Sector Audit Appointments.

8. Background Papers

None.

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22 September 2021

To: Mr Stevens, Chief Executive
Sandwell Metropolitan Borough Council

Copied to: Ms Maher, S151 Officer
Councillor Gill, Chair of Audit Committee or equivalent

Dear Mr Stevens,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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Report to Audit and Risk Assurance Committee

11 January 2022

Subject:	Strategic Risks Deep Dive: <ul style="list-style-type: none"> • Risk 056- Towns Fund Programme • Risk 061- Partnerships and Contractors Service Delivery
Directors:	Director of Regeneration and Growth, Tony McGovern Director of Finance and s151 Officer Simone Hines
Contact Officer:	Business Manager - Regeneration, Jenna Langford jenna_langford@sandwell.gov.uk Business Partner- Audit Services Narinder Phagura Narinder_phagura@sandwell.gov.uk

1 Recommendations

- 1.1 That the Committee reviews and comments upon the two strategic risks detailed in the report.

2 Reasons for Recommendations

- 2.1 One of the roles of the Committee is to assure itself that risks to the delivery of the Council's corporate plan and objectives are being managed.
- 2.2 The Strategic Risk Register was last presented to Audit and Risk Assurance Committee (ARAC) on 18 November 2021. At this meeting members called in two of the risks included in the strategic risk register



for further review by the Committee, being - risk 056- the Towns Fund Programme risk and risk 061 – Partnerships and Contractors Service Delivery.

3 How does this deliver objectives of the Corporate Plan?

	<p>Best start in life for children and young people The Council’s arrangements include key programmes and partnerships, including for example Sandwell Children’s Trust, that aim to deliver benefits and positive outcomes for children and young people.</p>
	<p>People live well and age well The management of key partnerships such as Sandwell Leisure Trust aim to ensure that people live and age well.</p>
	<p>Strong resilient communities The successful attainment of Towns Fund investment will support the regeneration of our communities.</p>
	<p>Quality homes in thriving neighbourhoods The successful attainment of Towns Fund investment will support the development of new homes. Partnerships including Serco and Riverside for example and other key contracts will help deliver thriving neighbourhoods.</p>
	<p>A strong and inclusive economy The successful attainment of Towns Fund investment will support an inclusive economy through job creation and training and skills opportunities.</p>
	<p>A connected and accessible Sandwell The successful attainment of Towns Fund investment will support improved infrastructure through walking and cycling routes.</p>

4 Context and Key Issues

Towns Fund Programme

4.1 This report provides detail on the measures in place to manage strategic risk 056 – Towns Fund Programme. A summary of the risk as it was previously reported to ARAC and the current position is provided below.



Risk title and description	Previous score (Nov 2021)	Direction of travel	Current score (Dec 21)	Target score and date
<p>Towns Fund Programme</p> <p>If the Council fails to deliver the towns fund programme by identifying suitable projects, preparing robust full business cases and ensuring effective delivery then this will result in the inability to regenerate our town centres, create sustainable economic growth and create long term economic prosperity, and also reputational harm to the Council.</p> <p>Risk area- Regeneration and Growth</p> <p>Risk owner – Director of Regeneration and Growth</p> <p>Objectives impacted – 2, 3, 4, 5 and 6</p>	12 Red		8 Amber	6 Green March 2022

4.2 At the time of the previous meeting of the committee in November, the risk assessment had increased to red due to delays in the preparation of business cases which need to be submitted by March 2022. It is for this reason that the risk was called in by the Committee. Given the measures now in place (as noted below), the risk has been further assessed and has reduced to amber with a target date of green by March 2022 which reflects the key milestone for the programme at this time. It is envisaged that given the mitigations in place that the target score and date are achievable. Thereafter, the risk will continue to be reviewed as the programme moves into the delivery phase and the risk description and assessment will be amended to reflect this.

Background

- 4.3 On 6th September 2019 it was announced that a number of Towns had been selected by Government to benefit from the Towns Fund. In Sandwell, West Bromwich, Smethwick, and Rowley Regis were identified.
- 4.4 The objective of the fund is to drive regeneration in Towns to deliver long term economic and productive growth through:
- Urban regeneration, planning and land use;
 - Skills and enterprise infrastructure;



- Connectivity.

4.5 In October 2020, Sandwell submitted three Town Investment Plans (TIPs), one each for Rowley Regis, Smethwick and West Bromwich to the Government Towns Fund Programme. Each TIP contained six projects, and an ask of £25m investment per town. On 3rd March 2021, Government confirmed the TIPs had been accepted and Heads of Terms offered, totalling £67.5m, £25m for West Bromwich, £19m for Rowley Regis, and £23.5m for Smethwick. A full schedule of the projects is provided in Appendix (Appendix A). Please note at the time of writing this report a partner led project notified the council they would be withdrawing their project from the Towns Fund programme. Appendix A reflects the withdrawal of the project and as such shows a total figure of £66.3m. Discussions are underway with Government Advisors as to the options available to the council to retain the full £67.5m allocation.

Governance Arrangements

- 4.6 Cabinet approved Towns Fund Governance in June 2021 taking Government Guidance into account. The Governance established an overarching Town Deal Board to co-ordinate the three Towns Deals in Sandwell, underpinned by three Town-level Local Boards as working groups.
- 4.7 The role of the Town Deal Board is to provide strategic direction across all of the Town Deal Areas, ensure alignment to national and regional strategic priorities, ensure compliance with Heads of Terms Agreements, agree Full Business Cases and recommend them for appraisal and approval and act as a critical friend throughout the programme.
- 4.8 The role of the three Local Boards (Rowley Regis, Smethwick and West Bromwich) is to influence the Towns Fund Programme and to form part of the assurance mechanisms to ensure that project delivery remains in keeping with the Vision and objectives outlined in the Town Investment Plans.
- 4.9 The Towns Fund Governance is aligned with the Council's governance standards and policies. As such, the Terms of Reference document and Governance Procedure Rules approved by Cabinet included a Code of Conduct, requirements for members of the Town Deal Board and Local Boards to declare of pecuniary and non-pecuniary interests, the maintenance of a register of gifts and hospitality, and arrangements for



the publication of Town Deal Board papers and minutes. Governance arrangements are appended to this report (Appendix A). Note, whilst representatives may have changed, the processes and principles of the Governance have not.

- 4.10 The Heads of Terms offer is subject to the appraisal and approval of a Full Business Case (FBC) for each project and the submission of a Summary Document to Government (one per project) by 24 March 2022. If approved, the agreed funding allocation for the projects is released to the Council. As Accountable Body, the Council will then passport the funds to the delivery partners, where a project is being externally led. Partnership Agreements will be in place between the Council and the delivery partner to ensure the terms and conditions of the Towns Fund grant and associated risks, are transferred to the delivery partner.
- 4.11 Since March 2021, project leads have been developing the FBCs for the projects, with support from external consultants where appropriate and necessary. The 16 projects which make up the Towns Fund Programme were divided into 3 tranches for Government submission. Tranche 1 saw the West Bromwich Digital Den project appraised and approved by Cabinet in September 2021 and submitted to Government in October 2021. Tranche 2 includes the West Bromwich Urban Greening project and the West Bromwich Sandwell Civil & Mechanical Engineering Centre, which were appraised and approved by Cabinet on 24 November 2021 and will be submitted to Government on 14 January 2022.
- 4.12 Tranche 3 comprises the remaining 13 projects which will be submitted to Government by 24 March 2022. On 24 November 2021 Cabinet resolved to give delegated authority to the Director of Regeneration & Growth and the Director of Finance, in consultation with the Cabinet Member for Regeneration & Growth to submit the Project Summary documents to Government, subject to a satisfactory appraisal by the Assurance Panel.

Assurance

- 4.13 The role and purpose of the Assurance Panel is where the Financial, Economic and Commercial Cases have been prepared with the support of an independent third party, the Assurance Panel will provide assurance that the projects are a strategic fit, support a compelling case for change, maximise public value, are commercially viable, are



affordable and funding and can be achieved successfully by the organisation and its partners. A consultancy firm with the relevant expertise to provide the independent third-party input to the FBCs has been appointed by the Council.

- 4.14 The panel comprises the Director of Regeneration & Growth, the Director of Finance, the Cabinet Member for Regeneration & Growth, officers from the Council's Strategic Investment Unit, and the Chair of the Town Deal Board. Upon approval of the Assurance Panel, Project Summary documents will then be submitted to Government.
- 4.15 The three projects approved by Cabinet to date have all been considered at Scrutiny. Provision has been made within the tranche 3 programme for a summary of the remaining FBCs to also be taken through the Economy, Skills, Transport and Environment Scrutiny Board.
- 4.16 In addition to appraisal of the Full Business Cases, each project has undergone a subsidy control review, to ensure each project is compliant with the UK Governments Subsidy Control regime Bill 2021, which enables public authorities, including devolved administrations and local authorities, to deliver subsidies that are tailored and bespoke for local needs to deliver government priorities such as levelling up and achieving net zero carbon, as well as supporting the economy's recovery from COVID-19.
- 4.17 Where projects are being led by external partners, Partnership Agreements will be in place to ensure the interests of each party are protected and that roles and responsibilities are clearly defined. The Partnership Agreements also transfer obligations to project delivery partners from the Towns Fund Terms and Conditions and sets out the obligations of the local authority as Accountable Body.
- 4.18 A schedule of the projects within the programme is appended to this report (Appendix B).

Key Milestones

- 4.19 All projects within the programme must submit Project Summary documents by 24 March 2022. All projects must be complete and Towns Fund money spent by 31 March 2026. Each project within the programme has its own governance structure, project plan and risk



register which feed into the Programme Level documentation through Accountable Officer meetings. The Programme Risk Register is maintained by the Programme Management Office. Programme Management reports are presented at the Town Deal Board and all three Local Boards, with detailed individual project updates.

Programme Management Office Arrangements

4.20 The Programme Management Office comprises a Programme Manager and a Programme Support Officer. Both roles are currently being undertaken by existing Council employees until the recruitment to these posts is complete. The appointment to the Programme Manager post has now been completed, and the new employee will commence this role on 31 January 2022. The recruitment for the Programme Support Officer will commence in January 2022. These appointments will secure the Programme Management resources for the duration of the Towns Fund Programme.

4.21 Consideration is to be given to other resources that will be required for the Council to fulfil its obligation as Accountable Body for the Towns Fund Programme. This is likely to require Financial, Monitoring & Evaluation Officers, to manage the passport of funds to delivery partners, approve grant claim submissions, manage programme cashflow, and ensure compliance.

Partnership and Key Contractor Service Delivery

4.22 A summary of the risk as it was previously reported to ARAC and the current position is provided below.

Risk title and description	Previous score (Nov 2021)	Direction of travel	Current score (Dec 21)	Target score and date
<p>Partner Organisations / Contractors Service Delivery</p> <p>The Council works closely with partners and contractors to provide its services to its residents and businesses.</p> <p>In the event Partner organisations or contractors do not provide the required level of service to the public this may result in:</p>	<p>12</p> <p>Red</p>		<p>12</p> <p>Red</p>	<p>8</p> <p>Amber</p>



<ul style="list-style-type: none"> • Efficient / good value for money / high quality services not being delivered • Enforcement action • Significant financial loss and • Reputational damage 				
Risk Area – Corporate Services				
Risk Owner – Leadership Team				
Objectives impacted: All				

4.23 As reported to the Committee at its meeting in November, risk 061 was identified as a new strategic risk. The risk considers the arrangements in place to ensure effective contract/partnership management arrangements are in place, in particular within the Council’s key contracts/partners, to ensure compliance with the contract/partnership terms and clarity over this, good quality service delivery and to provide assurance on value for money.

4.24 Given the above, the Council’s Leadership Team is currently exploring the risk and developing an action plan to manage the associated risks. This is likely to include matters such as:

- Identification of the Council’s key partners and contractors including Serco, Sandwell Leisure Trust, Sandwell Children’s Trust.
- Assigning senior management responsibility to each of these contracts.
- Review of the contract terms, duration, governance arrangements and review processes currently in place and any further actions that need to be taken in this respect.
- The extent to which the partnerships/contracts contribute to the corporate plan and the arrangements in place to measure performance and sustainability.
- The resilience of the supply chain and the arrangements in place to regularly review and assess this.
- Consideration of where partnership/contractor reviews will be reported and the frequency of these.

4.25 The Committee will already be familiar with some aspects of the measures in place to manage specific partnership/contract risks. For example, the strategic risk relating to children’s social care was called in for review by the Committee in September 2021. This provided details around the contract terms, governance arrangements and



assurances in place around the monitoring of the contract between the Council and the Trust.

4.26 In addition to the above, the recent Grant Thornton Value for Money Governance Review included individual Key Lines of Enquiry, and has made recommendations and reported back on:

- Sandwell Children’s Trust
- Sandwell Leisure Trust
- Waste Service (including the arrangement with Serco)
- Implementation of the new ERP System (Oracle)

Timely implementation of the recommendations made regarding these arrangements will play a key role in helping to manage this risk.

4.27 Given the above, the risk continues to be assessed as red until such time that the above measures are implemented. At that time, the risk will be reassessed to consider whether any additional actions need to be taken and whether any of the contracts/partnerships need to be included as separate risks with specific risk action plans being developed to manage the service delivery risks associated with the contract. These will be reported to the Committee via the risk review processes already in place.

5 Implications

5.1 Whilst this report does not require a decision and therefore, alternative options do not need to be considered, when measures are being considered for the mitigation of each of the strategic risks, alternative options are considered.

Resources:	The identification and management of risks is used to inform the allocation of limited resources (financial and staffing) in order that risks are managed effectively and to an acceptable level.
Legal and Governance:	There are numerous standards applicable to the management of risk within the local authority sector. Included amongst these is guidance from CIPFA/Solace, the British Standards Institute (BSI) and a set of joint standards published by the Institute of Risk Management (IRM), Alarm (The public sector



	risk management association) and AIRMIC (Association of Risk Managers in Industry and Commerce). Evidence that robust management of the authority's strategic risks is being undertaken demonstrates compliance with these standards.
Risk:	The report itself is an update on how the risks are being managed by the Council. As noted above, the projects within the Towns Fund Programme will have risk registers that are being developed to identify the associated risks and put in place suitable mitigations. In terms of the key partnerships of the Council, there will be shared risks that are identified to ensure the successful delivery of shared objectives of the partnership.
Equality:	As a decision is not being sought in this report, it is not necessary to undertake an Equality Impact Assessment.
Health and Wellbeing:	As noted above, the objective of the Towns Fund Programme is to drive regeneration in Towns to deliver long term economic and productive growth, which in turn impacts the health and wellbeing of the borough's residents.
Social Value	The actions and decisions that are being considered for the mitigation of the risks, where appropriate, will take into account the meeting of the Council's social value commitments.

6 Appendices

Project Schedule
Towns Fund Governance

7. Background Papers

Strategic Risk Register



Report to Audit and Risk Assurance Committee

11 January 2022

Subject:	Special Educational Needs and Disabilities (SEND) Passenger Transport Contract Update
Director:	Simone Hines Director of Finance
Contact Officer:	Peter Farrow Audit Services and Risk Management Manager, peter_farrow@sandwell.gov.uk

1 Recommendation

1.1 That the Committee reviews and comments upon the following:

- The recommendations from the June 2021 internal review of the SEND Passenger Transport Contract.
- The recommendations from the Grant Thornton Value for Money Governance Review, Key Line of Enquiry 04 relating to SEND transport.
- The observations from the Chair of the Audit and Risk Assurance Committee following his fact-finding exercise.

2 Reasons for Recommendation

2.1 To be informed of the findings and recommendations from the June 2021 internal audit review of the SEND Passenger Transport Contract, the Grant Thornton Value for Money Governance Review - Key Line of Enquiry 04 relating to SEND transport, and the observations from the Chair of the Audit and Risk Assurance Committee following his fact-finding exercise.

3 How does this deliver objectives of the Corporate Plan?

- 3.1 The Audit and Risk Assurance Committee is a key component of the council's governance, risk management and internal control framework.

4 Context and Key Issues

- 4.1 Following a number of concerns raised through various routes regarding the 2021 SEND Passenger Transport Contract exercise, a series of different reviews and actions have been undertaken.
- 4.2 An initial internal audit review, supported by senior officers from across the Council, into the background and decision making regarding the proposed award of the SEND Passenger Transport Contracts for 2021-25 was completed and a report issued.
- 4.3 One of the Key Lines of Enquiry (04) from the recent Grant Thornton Value for Money Governance Review was in regard to the SEND transport arrangements, following which they have made a number of recommendations.
- 4.4 As part of this Key Line of Enquiry, Grant Thornton noted that the Council had sought to commission an independent review of the original procurement. This review planned to assess the compliance and probity of the original procurement, including re-running the evaluation stage. However, this did not proceed due to there being only one bidder, and the cost being deemed not best value.
- 4.5 The Chair of the Audit and Risk Assurance Committee also undertook his own separate fact-finding exercise on the SEND transport arrangements, and has made a series of observations.
- 4.6 A report by the Director of Children and Education on the future SEND Transport arrangements is to be presented to the Cabinet on 12 January 2022.

5 Alternative Options

- 5.1 The purpose of the report is to inform the Committee of the outcome of a number of reviews into the SEND Passenger Transport Contract arrangements. As such, there is no alternative option.

6 Implications

Resources:	There are no direct resource implications arising from this report.
Legal and Governance:	The council is not obliged by law to appoint an Audit Committee, but this course of action has been taken in line with guidance from CIPFA.
Risk:	The key risks associated with the SEND Passenger Transport are included within the Strategic Risk Register.
Equality:	It was not necessary to undertake an Equality Impact Assessment as a result of this report.
Health and Wellbeing:	There are no direct health and wellbeing implications from this report.
Social Value	There are no direct social value implications from this report.

7. Appendices

- 7.1 Appendix A – Initial internal review of the SEND Passenger Transport Contract – *Exempt Information which is likely to reveal the identity of an individual and relating to the financial or business affairs of any particular person (including the authority holding that information).*

Appendix B – Extract from the Grant Thornton Value for Money Governance Review relating to Key Line of Enquiry 04 SEND transport.

8. Background Papers

- 8.1 There are no background papers.

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By virtue of paragraph(s) 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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KLOE A4: SEND Transport

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

Background

The Council's Special Education Needs and Disabilities Passenger Transport (SEND Transport) contract expired at the end of August 2021. Currently 19 operators deliver 122 contracts which are in place to meet the Council's statutory duty under Section 508B and Schedule 35B of the Education Act 1996, whereby local authorities are under a statutory duty to provide free school transport to eligible children.

The Council's budget for the provision of SEND Transport was significantly under pressure with a forecast spend of £6.1m in 2020/21 against a budget of £2.5m. This was caused by a combination of factors, in particular increasing demand.

The Council undertook a procurement exercise, pursuant to its Procurement and Contract Procurement Procedure Rules in relation to a new SEND Transport Contract for 2021-25 (the new Contract) to award a new contract – at a potential total cost of £22m over four years. The Council sought to achieve greater economies of scale and value for money alongside addressing new and emerging issues within the sector including the risk of modern-day slavery, and improving the overall delivery of the service.

In August 2020, the Council's Cabinet approved the establishing of a new Dynamic Purchasing System (DPS) for the new Contract. A DPS was used for the existing SEND Transport contract. Following stage one of the new DPS, a closed bidder tender process was undertaken as stage 2 in March and April 2021. An evaluation of the proposals took place and a Cabinet Report was prepared setting out the conclusion of the evaluation, and the recommended awarding passenger transport related contracts via the new DPS effective as from 1 September 2021.

The Council's Cabinet, at its meeting on 16 June 2021, considered the award of four lots as the outcome of the procurement, which would have provided a £300k saving on the previous contract as well as improving service quality. The Cabinet deferred the matter following various concerns being raised over the process which had been raised following the publication of Cabinet papers prior to the meeting taking place.

An internal audit fact finding exercise regarding the proposed award of the SEND Transport Contracts for 2021-25 was then undertaken.

The Council took external legal advice on the options available, and an emergency Cabinet meeting took place on 21 July 2021 which agreed to continue to use the existing contracts with providers for the continued provision of SEND transport until 23rd February 2022, in order that the Council meets its statutory duties.

KEY FINDINGS

Internal Audit review

Internal Audit undertook a review, reporting in June 2021, which examined the background to and decision making relating to the 2021-25 contracts, compliance with the Council's procurement and contract rules, the approach adopted to supplier inclusion to DPS and the associated tender, how the outcome of the tender evaluation was reported to Members, and considered if any inappropriate or fraudulent activity had taken place. This report noted:

- Some of the concerns raised related to the identity of the owner of the two companies initially selected as the successful bidders, and the fact he was a former employee of the Council and the son of a former Deputy Leader, who was investigated into a series of land sales involving the Council (known as the Wragge report). As neither individual had any known current role or association with the Council they did not form part of the scope of the review.
- Many of the concerns were raised by current suppliers of this service to the Council that have not been successful in the latest procurement exercise, so there would be an element of potential disappointment and disgruntlement behind parts of them. However, each of the concerns were dealt with objectively, and in certain cases they were found not to be fully accurate in their interpretation. For example, a number of officers from both procurement and the service area were involved in the assessment process.

The internal audit report concluded:

- The procurement was undertaken with the correct intentions.
- Some concerns and issues raised have an element of substance.
- A number of issues regarding the quality of certain information provided by bidders in support of their applications
- A number of key Council processes were not followed. In particular the need for officers involved in the exercise to formally declare if they have any potential conflict of interests, the completion of a Starting a Procurement form which captures key information from the outset, and to respond to bidder's applications within agreed timescales. However, while internal procedures within service areas had not always been followed, none of these were in themselves a direct breach of the Council's Procurement and Contract Procedure Rules.

KLOE A4: SEND Transport (cont'd)

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

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KEY FINDINGS (cont'd)

- Sufficient documented consideration does not appear to have been given to both financial modelling and the risks, particularly around resilience, associated with the potential placing of all four large contracts with just two companies, who in themselves come under the ownership of one individual.
- None of the officers interviewed indicated that they had been placed under any pressure by any other officer or elected member as part of the procurement exercise.
- While the significant reduction in lots would see a subsequent reduction in the number of companies the Council would be contracting with, from the evidence available to them, Internal Audit found nothing to suggest that the reduction of competition was undertaken with the sole aim of benefitting two particular companies. Similarly, they came across no evidence to suggest that any inappropriate or fraudulent activity had taken place.

The Internal Audit report concluded that the issues identified in the review in all likelihood will necessitate a need to revisit the procurement exercise. In particular the way in which use was made of the DPS including restricting the number of lots available, how initial decision making was considered, agreed and recorded, and how information and the lack of detail thereof, was relayed back to the Cabinet in order for them, and later Scrutiny, to make an informed decision, on what is in effect a £20m contract award.

Other reviews

The Council's Corporate and Budget Scrutiny Board and the Children's Services and Education Board have agreed to jointly examine existing and proposed arrangements for SEND transport provision. The Council's Audit and Risk Assurance Committee Chair is undertaking a fact-finding exercise into the original procurement exercise. Both activities had not been concluded during the course of our review.

The Council sought to commission an independent review of the original procurement. This review planned to assess the compliance and probity of the original procurement, including re-running the evaluation stage. This did not proceed due there being only one bidder, and the cost being deemed not best value.

Financial management

Since 2018 the overall cost of providing travel assistance including parent mileage, travel passes and more recently the offer of personal travel budgets has increased by 45% from £3m in 2018/19 to a projected cost of £6.4m for 2021/22. Over the same period SEND pupils requiring travel assistance has increased from 680 to 850 with the average cost per pupil increasing from £5.1k pa to £7.6k pa. This situation is not unique to the Council.

The pressure on the SEND Transport budget has been managed over recent years by using carried forward underspends in the Education Directorate budget or using one off contributions from reserves. These were fully utilised by the end of March 2021 and the Council agreed additional funding for 2021/22 with the budget increased to £5.6m. A projected budget pressure of £800k remains, which excludes the impact of continuing with the existing DPS framework from September 2021 to February 2022.

The Council's approach to managing the overspends prior to 2021/22 mean that the base budget for SEND Transport did not reflect the true cost of providing the service. This led to some of the criticisms in relation to the value of the planned procurement award.

The extension of the original DPS contract by six months has seen an increase in forecast costs for the service

Delegation and communication

Cabinet approved the procurement approach at its meeting in August 2020, delegating the detailed design, including lot structure, to the Travel Assistance Service team, working with the procurement and legal teams, with the procurement team managing the overall procurement process

A key change to the existing DPS framework, which focused on costs, was to introduce a greater focus on quality in the new DPS framework, in relation to children's safeguarding, and employment practices.

KLOE A4: SEND Transport (cont'd)

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

Delegation and communication (cont'd)

Whilst the teams involved in developing the new contract design were aware of the planned service quality benefits, such as improved safety standards, reliability and quality of the service, more could have been done to ensure key decision makers were aware of the reasons for the change and the planned benefits when the new procurement approach was discussed and agreed in August 2020, and prior to the planned approval in June 2021, noting the significant changes to members of the Cabinet between these two dates.

A comparison between providers used on the current contract with those who were being proposed to be awarded contracts via the new DBS framework may have also helped managed a more effective contract award discussion.

The publication of the proposed award

The Council chose to include the recommendations for the award of the new DPS contracts on the public part of the agenda papers for the Cabinet meeting on 16 June 2021, including the results of the evaluation. This was the direct cause of challenges being made to members of Cabinet prior to the meeting taking place. It is unusual for such potentially commercially sensitive information being made public in advance of a decision being made on the award of a major contract.

The outcome of the June Cabinet meeting has significantly impacted on the Council's reputation, including the matter being raised in Parliament, and has further impacted on the relationship between officers and members including levels of trust. The pausing of the procurement has also increased the level of expenditure on the services placing further pressure on the Council's budget, and creates risks for the Council such as accusations of suppliers canvassing members during the intervening period.

Conclusion of the procurement

The procurement of the contract was initially paused, pending the outcome of the various reviews being undertaken. However, in order to not have to further extend the current DPS contract, work has been undertaken, including obtaining external legal advice, to review the structuring of the lots, and to consider whether the new DPS framework will be used. A report is planned to be presented to Cabinet on 3 November 2021 to agree how to proceed.

Conclusions and recommendations

The focus of service quality in the new DPS framework represents important and positive progress for the Council in managing a major contract of this type. However, weaknesses have been identified by Internal Audit in some aspects of the procurement approach, although these did not represent a breach of the Council's Procurement and Contract Procedure Rules.

The manner of the pausing of the procurement has damaged the Council's reputation, put further strain on officer and member relationships, and created uncertainty and risks over how the conclusion of the procurement will be viewed and opened the Council up to potential legal challenges.

The Council already uses a DPS for commissioning travel assistance services, so has familiarity with the approach, as do providers. Whilst not the only procurement option, DPS is considered an appropriate procurement approach for a public sector organisation procuring services of this type. Operators can bid to be appointed to lots on the framework, and if unsuccessful continue to try do so by meeting the Council's service standards. When the Council requires a service, operators on the DPS framework are asked to tender for the work.

This was a major and complex procurement. An Invitation to Tender was advertised on 12 March 2021, with a closing date of 2 April 2021, for the contract to go live on 1 September 2021. This time frame was inadequate for such a large and complex contract.

The Council's senior leadership – both officers and members – must place priority on agreeing the outcome of the SEND Transport procurement exercise to ensure a further contract extension is not required. This should include:

- **Not losing the significant progress made on the contract specification's focus on service quality.**
- **Greater support, involvement, dialogue and oversight with the officer teams with responsibility for progressing the procurement.**
- **Ensuring the contract provides the Council with effective management and oversight of the personal transport market.**

KLOE A4: SEND Transport (cont'd)

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

Recommendations (cont'd)

For the conclusion of the SEND Transport procurement and for all future major procurements, the Council should ensure that:

- **Record keeping and declarations of interest are undertaken in line with Council policies and procedures.**
- **Decision making does not create real or perceived risks in relation to inappropriate procurement decisions.**
- **Procurement timescales provide adequate time for both suppliers to submit high quality bids, and the Council to undertake appropriate evaluation, scrutiny and decision making. This timescale should include appropriate time in advance of the procurement for the council to undertake the necessary strategic thinking and planning required, and mitigate the risk of not making an award in the planned timescale**

