

Minutes of Audit and Risk Assurance Committee

**Thursday, 16 March 2023 at 5.30 pm
at Council Chamber - Sandwell Council House, Oldbury**

Present: Councillor Preece (Chair);
Councillors Anandou, Choudhry, L Giles, Hinchliff, Khatun
and Lewis.
Mr Ager (Independent Member).

Officers: Peter Farrow (Audit Services Manager); Narinder Phagura
(Business Partner - Audit Services); Guy Grafton (Grant
Thornton); Zoe Thomas (Grant Thornton); Rebecca Maher
(Head of Finance); Sanjay Desor (Head of Technical
Finance, Capital and Strategy); Kate Ashley (Strategic Lead
– Service Improvement); Rebecca Jenkins (Senior Lead -
Service Improvement); Alexander Goddard (Democratic
Services Officer) and Anthony Lloyd (Democratic Services
Officer).

1021 Apologies for Absence

There were no apologies received.

1121 Declarations of Interest

There were no declarations of interest.

1221 Minutes



Resolved that the minutes of the previous meeting held on 19 January 2023 is confirmed as a correct record.

1321 Urgent Business

There was no urgent business for discussion.

1421 Improvement Plan Progress and Phase 2 Refresh

An update was provided to the Committee on progress made against the improvement plan.

Significant progress had continued to be made to deliver the actions within the Improvement Plan. This included the completion of the Phase 1 Governance Review with changes to the Constitution agreed, preparations for the new Chief Executive taking up post on 6 February, approval of the Medium Term Financial Strategy and the completion of the reviews of the Serco and Sandwell Children's Trust (SCT) contracts.

A summary of the current risks and slippages were delivered to the Committee. The Workforce Strategy had experienced slippage from the original delivery date of March 2023; the new target date was May 2023. It was expected that the "One Team Framework" would be approved in March 2023.

Regarding Corporate Oversight progress, issues had been identified in relation to establishing a customer journey programme board. A lack of resources meant that the original timescales would not be met, however, board members were in the process of being confirmed and future board dates would be planned in due course.

Slippage had been seen against the Performance Management Framework. The main delays to the original timescales were due to the required alignment with the workforce strategy and customer journey programme.

A lack of resources and recruitment difficulties had also resulted in slippage against the Equality, Diversity and Inclusion work, the transition from Children's to Adult's Services, as well as the Customer Journey Strategy. A revised approach to decision making training meant that slippage had been experienced against the estimated dates of completion.

Following further evidence submitted by the third party in relation to the Expert Determination of Lion Farm, the resolution date would now take place later than expected; it was confirmed that a decision would be made by the end of March 2023.

Members were also provided an update on the risk register. In total, there were five green risks, six amber risks and one red risk. The single red risk was a new risk in relation to embedding the constitutional changes. Several risks had been reduced including the performance management framework and data quality and the agreement of constitutional changes risk had been closed completely.

In response to questions from members, officers would provide more specific clarification in relation to difficulties around the Equality, Diversity and Inclusion workstream had a later date.

1521 Strategic Risk Register Update

Officers provided the Committee with an update on the key strategic risks faced by the Council since the risks were last reported on in September 2022.

Members were minded that the Strategic Risk Register did not include all of the risks faced by the Council. Other risks were captured within directorate, programme and project risk registers in line with the Council's risk management framework.

Five risks rated red had reduced to amber, six risks had been escalated from individual directorate risk registers to the strategic risk register and two risks had been closed from the strategic risk register.

The following risks had been escalated from their individual directorate risk registers:-

- Risk 57b – Customer Journey. Escalated given the priority within the corporate plan
- Risk 66 – Borough Archives.
- Risk 67 – Elections Act. Escalated due to the extensive work required to manage the voter ID process for the May 2023 Elections.
- Risk 68 – Sandwell Local Plan. Escalated as a result of the cancellation of the Black Country Plan.

- Risk 69 – Adult Social Care Market Sustainability – Escalated due to the fair cost of care exercise.
- Risk 70 – Organisational Culture

The following risks had seen a reduction in their risk rating or been removed from the risk register:-

- Risks 27 and 27a – MTGS and Future Government Policies and Funding Sources had been reduced from red to amber as a result of the local government settlement which confirmed that business rates reset, and fair funding would not happen in this Parliament. This allowed the Council more time to prepare.
- Risk 53 - Oracle E Business Suite had been reduced from red to amber as a result of the review and reset of the programme
- Risk 54 – SEND had been removed as a result of the procurement of the contracts in 2022.
- Risk 57 – New Operating Model which had focussed on embedding the hybrid and flexible working model had been removed as it had been rated as green for some time
- Risk 61 – Partner Organisations Contract Services Delivery had reduced from red to amber as a result of the work completed in respect of the contract with the SCT, SLT and Serco contracts.

In response to questions, Officers assured Members that the goals set were realistic. Information regarding voter ID and swimming bath memberships would be provided to members as requested. Assurance was also provided on the hopes of a smooth implementation of Oracle Fusion. A support partner was assisting the process which planned for the system to go live in April 2024. Issues faced by other authorities using the same system had been investigated and a “lessons learned” document had been created.

1621 Internal Audit Plan

Approval was sought of the internal audit plan for 2023/2024 which contained a list of audits that was intended to be made over the year. Members were minded that it was important that the resources available were focussed on areas that provide the most benefit to the Council. An assurance exercise was undertaken to see what areas would be a priority. Discussions had been

underway with Leadership Team to ensure that the issues addressed were the most beneficial.

Agreed that the Internal Audit Plan 2023/24 is approved.

1721 Internal Audit Progress Report

The Committee received an update in relation to the Internal Audit Progress Report which detailed progress made against the delivery of the 2022/23 Internal Audit Plan.

In particular, information was provided regarding the limited assurance assigned to the “Boscobel TMO Repairs/Voids” auditable area.

A Tenant Management Organisation (TMO) was a means by which Council tenants and leaseholders could collectively take on responsibility for managing the homes that they lived in. TMO’s were an independent legal body and usually elected a tenant led management committee to run the organisation. Boscobel TMO had 115 properties. A review had been undertaken to assess the adequacy of the system for the control and inspection of work and maintenance and flow of progress information. A number of issues where improvement could be made were identified by the Audit and an outstanding issue from a previous report still remained outstanding/

The contract did not contain any GDPR requirements which was a risk of infringement of statutory regulations for both the Council and the TMO. Quotes were not being requested for work undertaken and completed works were not being signed off. It was evident that the TMO had also not undertaken any checks on the electrical contactor’s credentials or their ability to undertake electrical work.

Officers reassured the committee that issues with Boscobel TMO were being addressed and that Audit and the Director of Housing had met with the TMO on several occasions to support them. Further updates would be provided when officers were in a position to do so.

1821 Audit and Risk Assurance Committee - Terms of Reference Annual Review

The Audit and Risk Assurance Committee's Terms of Reference had been static for several years. CIPFA had updated their model of terms and reference and therefore, the Audit Terms of Reference had been edited to reflect the subtle changes. The role of Audit had not changed in any fundamental or significant manner and the role of internal and external audit was now clearer.

Agreed that the terms of reference for the Audit and Risk Assurance Committee is approved.

1921 Statement of Accounts 2020/21

The draft accounts for 2021 were presented to the Committee for approval in line with International Financial Reporting Standards. Delays in preparing older accounts had resulted in the Statement of Accounts being delayed for approval due to knock-on effects. Limited resources meant that slippage had occurred against original deadlines.

Members were minded of a particular recommendation set out in the report that sought authorisation for the Director of Finance, in consultation with the Chair or Vice-Chair of the Audit and Risk Assurance Committee (ARAC), to agree any changes which may be necessary in order to ensure the finalisation of the external audit being concluded by the Council's external auditors, Grant Thornton, to ensure completion of the Statement of Accounts for financial year 2020/21.

Additional resources had been obtained to help assist however, the lack of an asset management system had caused issues and further delays. Officers were hopeful that an asset management system would be in place towards the end of 2023.

Members were reminded that all of the Council's primary statements were needed to obtain a full picture of the Council's financial position. The movement in reserves statements reconciled income and expenditure to what the actual tax pay and costs position was. This adjustment reconciled the actual outturn position to a surplus of £11m.

Auditors from Grant Thornton addressed the Committee with the following highlights:-

- Concerns were had around falling too far behind due to the complexity of the accounts;
- Significant errors were present within the financial statements which had caused a back-log in work;
- The Council's usable reserves increased once audit changes were taken into account
- The Audit was substantially complete with just a little more work around the PSI scheme with Serco.
- Several issues appeared when reviewing creditors and accruals. Several budget holders had been accruing to the budget rather than actual expenditure; issues around prepayments were also noted.
- A weakness was present in property records and changes had been made to the way that property had been valued although auditors were confident that this was accounted for in the 2021 financial statements.
- Total corrections resulted in reduction in overdraft and Grant Thornton were now happy with the overall accounts for 2020-2021.

In response to questions, officers confirmed that, in relation to the Serco contract, a PFI model was used instead of PPP. This was due to legacy decisions that were originally decided in 2010 to which the Council was contractually bound.

A new structure was in place and existing staff members were being upskilled. Interim resources had been sourced to help with the backlog however, good technical accountants were hard to recruit. Officers and Grant Thornton were thanked for the hard work in preparing the statement of accounts given the difficult legacy issues faced in the process.

Agreed that that the Director of Finance be authorised, in consultation with the Chair or Vice-Chair of the Audit and Risk Assurance Committee (ARAC), to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors, Grant Thornton, to ensure completion of the Statement of Accounts for financial year 2020/21.

Meeting ended at 7.42 pm

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