

# Minutes of Audit and Risk Assurance Committee

**21 July 2022 at 5.30pm**  
**In the Council Chamber at Sandwell Council House**

**Present:** Councillor Preece (Chair);  
Councillors Anandou, Choudhry, Khatun MBE, and Hinchliff,  
Mr Hussain (Independent Member).

**Officers:** Rebecca Maher (Head of Finance); Maria Price (Legal Services Service Manager); David Wilcock (Governance Review Consultant); Chris Reynolds (Procurement Strategy Officer); Chris Hilton (Interim Service Manager Strategic Assets and Land); Peter Farrow (Audit Services Manager); John Matthews (Audit Client Lead); Lisa Reid (Audit Client Lead); Mark Stocks (Head of Public Sector Assurance - Grant Thornton); Philip Tromans (Counter Fraud Investigator); Narinder Phagura (Business Partner for Audit, Fraud, Risk and Insurance); Mandip Chahal (Senior Joint Commissioning Manager for Statutory Children's Services); Elaine Newsome (Service Manager for Democracy); Matt Powis (Senior Democratic Services Officer); Ant Lloyd (Democratic Services Officer); John Swann (Democratic Services Officer).

## 32/22 **Apologies for Absence**

An apology was received from Councillor L Giles.

## 33/22 **Declarations of Interest**

There were no declarations of interest.



34/22

## Minutes

### Resolved

That, the minutes of the previous meeting held on 28 June 2022 be confirmed as a correct record.

35/22

## Urgent Business

There was no urgent business for discussion.

36/22

## Constitutional Review (Contract Procedure rules and Financial Regulations)

The Committee received an overview of the proposed changes to the Council's Constitution which were considered as part of the Council's Governance Review.

Members noted the key proposals which included changes to the Council's key decision threshold to the following:

- The key decision threshold be raised to £1m, meaning that all procurement costs below this figure would not require Cabinet approval.
- That individual Cabinet Members be delegated to make financial decisions between £500,001 and £1m.
- Financial delegations for Chief Officers be increased to £500,000.

In respect of the revisions to the Council's Contract and Procurement Procedure Rules, it was highlighted that references to European law had been removed from the procedure rules following the United Kingdom's departure from the European Union. It was reported that roughly 70 proposed alterations had been identified, in particular the rules relating to contract procurement and ethical decision making were strengthened.

The revised Contract Procedure Rules document, in particular enhanced the procedure to make existing contracts and



procurement management frameworks more easily identifiable, mitigate conflicts of interests and promote industry in the Borough. The changes would ensure suppliers based in Sandwell would be considered in the first instance, failing this, the wider West Midlands region.

On the issue of sale of land and assets, the Council was governed by legislation. However, new protocols had been proposed for the selling of council owned properties to the improve transparency and accountability of land and asset disposal. Members noted the complex contractual arrangements which had been included within the revised procedure rules. This change would mitigate the risk to the Council when dealing with land owners and developers which would ensure contracts were formatted accordingly thus reducing liability.

The disposal process of land and asset management required the consultation of the Land and Asset Management Committee. However, the Committee's involvement would only occur once the value of the proposed land met the threshold of the disposal. It was noted that upon receipt of the appropriate valuation, the Cabinet or relevant Cabinet Member was authorised to dispose of the land in question. This disposal process would be in accordance with the valuation criteria of the Royal Institute of Chartered Surveyors professional standards and requirements.

The following was noted in response to members' comments and questions:

- The Land and Asset Disposal Protocol outlined the requirements of the disposal of land in respect of sales at less than best value;
- The Director of Regeneration and Growth had the sole delegation to decide whether an internal or external valuation was required depending on the case in question. This was subject to the Director satisfaction that no conflict of interest existed;
- The disposal method would be dependent on a case by case basis which would take into account best value, social value and corporate priorities of the Council.
- Procurement card holders were required to receive training prior to being issued with a card.



- The Council had implemented an auto-block feature which would be activated if there was evidence of non-compliance with the Council's policies and procedures.

There was a consensus that good record keeping was an important aspect of achieving transparency with land and asset management and governance. It was agreed for the Council to incorporate good working practices in future.

The Committee thanked officers for their attendance.

**Resolved and recommended to Full Council:**

- (1) That, the Committee recommend the following changes be made to the Council's constitution:
  - a. That the Key Decision threshold be amended and raised to £1m;
  - b. That, the relevant Cabinet Member(s) be delegated to make financial decisions between £500k and £999k;
  - c. That, the limit of Chief Officers' financial delegations be raised to £500k.
- (2) That, the Contract and Procurement Procedure Rules be revised and amended as proposed in Appendix 1.
- (3) That, the Protocol for the disposal of Council Owned Land and Buildings, forming part of the Financial Regulations and Procedures, be revised and amended as proposed in Appendix 2.
- (4) Subject to recommendations (1), (2) and (3) the Director of Law and Governance & Monitoring Officer, consultation with the Director of Finance and Section 151 Officer, be authorised to make all necessary consequential changes to the Council's Constitution to give effect to the approved changes.



## Counter Fraud Update

The Counter Fraud Investigator gave an overview of the work carried out by the Counter Fraud Unit.

The Committee were updated on local trends including a Sandwell school fraudulent payment incident which took place in July 2022 which targeted school finance staff. Following which the Counter Fraud Unit sent notifications to all schools in the Borough to make them aware of the threat. In this instance, the school staff identified the fraud, reported it to the Council and no payment was made.

The Committee were also updated on the Counter Fraud Units work as part of the Covid-19 Grant and support payments. The Council had delivered grant payments worth over £58 million to businesses within the Borough. The grant applications were subject to pre-payment and post-payment checks which prevented £350,000 worth of grants being paid and identified £65,000 of grants, which were overpaid and currently subject to recovery action. It was noted that, post-pandemic the risk around Covid-19 related Business Support Grants had been reduced to green in the updated fraud risk register.

The unit had been actively involved with the National Fraud Initiative, from which a number of data matches had been identified using information shared from Government agencies such as the Department for Work and Pensions, resulting in estimated savings of £268,000.

The Counter Fraud Investigator concluded that the unit had participated in the BBC One TV series, Fraud Squad which worked to deter fraudsters from targeting the Council

The Committee noted the Fraud Risk Register which accompanied the report. This report identified 24 risks with the following red risks identified

- Housing Tenancy - Subletting, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home;



- Council Tax – Fraudulently claiming for discounts and exemption such as the single persons discount, local council tax support;
- Personal budgets/ Direct Payments – Fraudulent claims by carers using direct payments for personal gain and carers continuing to receive direct payments after a person dies, duplicate applications to multiple councils;
- Procurement – Collusion (Staff and bidders), false invoices, overcharging, inferior goods and services and duplicated invoices;
- Cyber Crime – Cyber enabled fraud and use of cyber resulting in loss of services, resources, as well as reputational harm.

The following was noted in response to members' comments and questions:

- The Fraud Risk Register was compiled following intelligence sharing with neighbouring local authorities, local knowledge and national benchmarking exercises;
- Providing false information to gain a Council house tenancy agreement was identified as one of the highest areas for fraud;
- While there was no dedicated Cyber Security team within the Council, the unit were able to liaise with the Council's ICT team on cyber security matters where necessary and appropriate;
- In respect of the Fraud Risk Register, the Counter Fraud Investigator confirmed that the Counter Fraud team would look to adapt the risk register reporting to include more details around the assessment of impact and likelihood;
- As part of a discussion around Anti-Money Laundering an overview of the submission of a Suspicious Activity Reporting (SAR) figures would be reported, where appropriate at future meetings;
- It was nationally recognised that the current cost of living crisis may see an increase in potential attempted fraudulent activity;





- Cyber Crime was constantly developing and as such would remain a key risk for the Council in future.

Councillor Choudhry left the meeting at this point at 6.38p.m.

**Resolved** that the Counter Fraud update be noted.

## 38/22 Internal Audit Report 2021/2022

The Committee received the Annual Internal Audit Report for 2021-2022, which summarised the work carried out by Audit Services throughout the year and provided an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes.

As a result of a number of key governance issues raised predominately in the findings from the Grant Thornton Value for Money Review. The Council's Internal Audit team were unable to provide reasonable assurance for 2021 to 2022 and the Council had fully adequate and effective governance processes.

In respect of the Council's risk management and internal control processes, the Internal Audit Team were satisfied that both areas remained reasonable.

The Committee noted that following the decision of the Government to appoint Commissioners to the Council, a number of activities and actions had been implemented as part of the Council's road to improvement journey which included:

- Appointment of statutory Government Commissioners including a new Leadership team;
- Comprehensive single Council Improvement Plan which embedded recommendations from a number of reviews including the Local Government Association's (LGA) Corporate Peer Challenge.

Members noted the delays in respects of the completion and signing off the Council's Statement of Accounts for 2020/2021 and



2021/2022. As a result, the finalisation of the Annual Government Statement had been delayed.

There was acknowledgement of the issues relating to procurement, contract compliance and the disposal of land. However, it was stated that following reviews into each area, the Council had incorporated changes into various protocols and processes to strengthen governance and decision-making.

The following was noted in response to members' comments and questions:

- It was proposed that Statement of Accounts would be presented at a future meeting of the Committee as soon as practicable;
- Whilst the procurement process included the completion of individual Conflicts of Interests forms as part of each separate procurement exercise, and that the Council maintained a general register of interests, it was understood that any declared conflicts of interests as part of the procurement processes were not held centrally in a register. It was requested that this be considered and as such provide written response to the Committee prior to the next scheduled meeting.
- An action plan had been produced following the concerns identified from the SEND Transport contract review. Due to the changes with the Council's Contract Procedure Rules, it was anticipated that all contracts would be processed through intend. In addition, additional training was due to be provided to Council staff in this respect.
- There was a discussion around ensuring that the Internal Audit Plan included an appropriate balance between strategic governance and operational reviews. The Audit Services Manager indicated that the current plan had a sufficient balance, and that governance across the Council was a high-profile area over the coming year and was being monitored through a number of routes.
- There was concern that there was no appeal process for the SEND procurement process.





**Resolved** that the Internal Annual Report for 2021 to 2022 be noted.

## 39/22 **Auditors Annual Report on Sandwell Council – Interim 20/21**

The Committee received an overview of the of the Interim 2020 and 2021 Auditors Annual Report on Sandwell Council which was presented by Grant Thornton.

The Committee identified three themes of from the Annual Report:

- Financial Sustainability;
- Governance;
- Improving economy, efficiency and effectiveness.

It was noted that the Council's balance sheet and reserves were positive and were likely to strengthen the Council's financial position considering the upcoming challenges faced by Local Authorities across the country.

Within the area of governance, lack of performance monitoring and long-term planning were both key issues that were identified for improvements. In addition, three statutory recommendations had been made, notably regarding procurement and contract management.

It was acknowledged that some improvements had been made. However, there were noticeable challenges such as workforce retention, general recruitment issues and adhering to budgetary constraints.

It was noted that the Council had responded well to corporate challenges such as the performance issues identified with the Council's waste collection contract and the contract relating to Sandwell Leisure Trust.

The Chair queried whether the Head of Public Sector Assurance, Partner had confidence that the Council's Improvement Plan would address the recommendations suggested by Grant Thornton. In response, it was confirmed that Grant Thornton agreed with the



Council's improvement plan with a proviso that the Council fully addressed the actions identified with an overarching culture change.

Members noted that once the Council's Statement of Accounts were finalised, the Auditor's Annual Report would be submitted to the Committee for consideration.

**Resolved** that the interim 2020 and 2021 Auditors Annual Report on Sandwell Council be noted.

#### 40/22 **Children's Services Directorate Risk Register.**

The Committee received and noted the contents of the Children's Services Directorate Risk Register.

The Committee reviewed the risk register and noted that two service areas remained red:

- High Needs Block, increase in children with special educational needs in Sandwell;
- Special Educational Needs and Disabilities Transport – Overspend in this area due to increasing costs and rise in statutory age at which SEN Transport must be provided up to 25 years of age.

Members noted that findings of the external consultant review into the SEND passenger transport would be submitted to Cabinet in Autumn 2022.

**Resolved** that the Children's Services Directorate Risk Register be noted.

#### 41/22 **Cabinet Forward Plan**

The Forward Plan was presented for information and to allow the Committee an opportunity to contribution to any items or raise any issues with the Executive.



42/22

## Work Programme

The Committee noted the work programme for 2022/23.

Meeting ended at 7.45pm.

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