

# Minutes of Audit and Risk Assurance Committee

Thursday, 29 July 2021 at 5.00 pm  
at Council Chamber - Sandwell Council House, Oldbury

**Present:** Councillor M Gill (Chair);  
Councillors Akpoteni, Allen, J Anandou, Bostan, Hussain and Jones.

Mr J Hussain (Independent Member).

**Also present:** Surjit Tour (Director of Law and Governance/Monitoring Officer), Peter Farrow (Audit Services Manager), Rebecca Maher (Director of Finance/ Deputy S151 Officer), Elaine Newsome and Narinder Phagura (Business Partner - Audit, Fraud, Risk and Insurance).

## 32/21 **Apologies for Absence**

An apology was received from Mr Ager (Independent Member and Vice-Chair).

## 33/21 **Declarations of Interest**

There were no declarations of interest made.

## 34/21 **Minutes**

**Resolved** that the minutes of the meeting held on 24 June 2021 are approved as a correct record.



35/21 **Urgent Item of Business**

The Chair was of the view that an urgent item should be added to the agenda in relation to the current review of transport for children and young people with Special Educational Needs and Disabilities (SEND). He was of the view that the matter was urgent due to the media and public interest. However, due to issues around commercial confidentiality the public and press would be excluded from the meeting during consideration of the matter.

36/21 **Code of Corporate Governance**

The Committee received the revised Code of Corporate Governance for consideration prior to its submission to the full Council. The Accounts and Audit Regulations 2015 required the authority to review the effectiveness of its system of internal control at least once a year, in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).

The Code was a key component of the Council's governance arrangements and described the processes and arrangements that the Council had in place to evidence compliance with good governance principles.

The revised Code reflected the adoption of the Corporate Plan; the outcome of the review of the Code of Conduct; interim Covid governance arrangements; and had expanded the narrative around elements of the content for ease of public consumption.

**Resolved** that the Council is recommended to approve the updated Code of Corporate Governance.

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37/21 **Declarations of Interest**

There were no declarations of interest made.

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**Resolved** that the Council is recommended to approve the updated Code of Corporate Governance.

41/21 **Strategic Risk Register Update**

The Committee noted an update on the Council's strategic risks as of June 2021 and the arrangements in place to manage them.

The review and update of each strategic risk had been discussed with the risk owners and reported to the Leadership Team and Cabinet Members. The Committee noted that the covid-19 risk

register, was no longer separate and had now been incorporated into the Strategic Risk Register, as requested by the Committee.

A full review and refresh of all strategic risks had been undertaken by the Leadership team in line with the Corporate Plan refresh which was also underway. As a result of this review, a number of new risks had been identified for inclusion in the risk register, and some risks had been transferred to directorate risk registers.

The following six new risks had now been identified for inclusion in the strategic risk register:-

- Special Educational Needs and Disabilities (risk 54)
- Implementation of external audit recommendations (risk 55)
- Towns Fund programme (risk 56)
- New operating model (risk 57)
- Equalities (risk 58)
- Corporate governance (risk 59)

The risks below had been transferred to directorate registers:-

- CONTEST
- School Place Planning
- Supply chain resilience

A number of separate risks around future government policies and funding sources, previously included on the strategic risk register had been consolidated into one strategic risk. The register now contained 16 strategic risks - eight red risks and seven amber risks and one risk was assessed as green.

In relation to Risk 50 – Commonwealth Games Aquatic Centre members questioned why the risk remained amber. It was reported that the risk would likely be downgraded to green once the centre had been handed over to the organising committee. However, the risk owner would be asked to review this risk.

In relation to Risk 27 - Medium Term Financial Strategy and Resource Allocation, it was reported that the risk score had been reduced as a result of the reduced budget shortfall position, for 2021/22. The deficit was around £14 million, the budget for next year had been confirmed as £8 million. There had also been significant underspend across all council services, which had allowed the authority to replenish its reserves, however there was

still a need to identify ongoing savings to balance the budget going forward.

In relation to Risk 6b - Business Continuity Management (BCM) members felt that this risk should be higher, given the number of interim directors in post. It was reported that all but one posts had been appointed to on a permanent basis and recruitment was underway for the remaining position.

The risk in relation to school place planning had been moved to the directorate risk register as the Council had confidence that sufficient additional places had been created in Secondary Schools over the next academic year and projects to build new schools were on tracks. The risk remained amber however, and would remain under review.

In relation to Risk 59 – Corporate Governance – the risk related to the matters reported in the external auditors’ audit findings report and the delays in finalising the statement of accounts. External auditors would be undertaking a wide review of governance. The Director of Law and Governance and Monitoring Officer reported that the scope for the review had not yet been finalised and so he would update the Committee on the draft in private session. However, the Chair reported that he would be discussing the matter with external auditors before the Committee was briefed.

In relation to Risk 4 – Children’s Social Care – It was reported that the last inspection had highlighted a number of areas of improvement and it was hoped that the Trust would move to “Requires Improvement” rating at the next inspection. However, the impact that the pandemic had had on the workforce had been a key factor. The Director Law and Governance undertook to provide members with a briefing setting out the governance arrangements in relation to the Trust and the role of scrutiny.

Councillor Allen declared that he was a non-executive director of Sandwell Children’s Trust. He reported that a national shortage of social workers was a key concern, however the Trust was making savings annually and had recently made changes to its operating model. The risk owner would be asked to attend the next meeting to discuss the risk in more detail.

In relation to risk 54 – Special Educational Needs and Disabilities – this was the consolidation of three red risks from the directorate risk register and did not just relate to the contract and

procurement. However, any lessons learned from the reviews currently taking place would be taken on board.

**Resolved** that the Director of Children and Education is requested to attend the next meeting of the Audit and Risk Assurance Committee to discuss Risk 4 on the Strategic Risk Register;

42/21

## **Annual Governance Statement 2019/20**

The Committee received the Annual Governance Statement for 2019/20 for consideration.

The Annual Governance Statement outlined how the Council complied with its adopted Code of Corporate Governance and detailed areas where the Council had significant governance issues arising. The Statement included a plan detailing the actions that were being taken, or would be taken, to address these areas of weakness.

It was highlighted that the Statement of Accounts had been delayed and that the Annual Governance Statement needed to be approved to form part of the Statement of Accounts. Due to the reporting period, reference had been made to the management of the COVID pandemic, however, further detail would be included in the Annual Governance Statement 2020/21.

To support the preparation of the statement, each Director and Cabinet Member had completed an assurance statement and any weaknesses identified had been included within the Statement, along with measures in place to address them.

The Committee noted the key changes to the framework during 2019/20 and the assurances received to comply with the Statement and the key changes following its annual review.

It was agreed to include the Licensing Committee Annual report in the Statement before it was incorporated into the Statement of Accounts.

It was agreed that when the current reviews in relation to the procurement of SEND transport had been completed, consideration would be given to including any relevant issues in the 2020/21 Annual Governance Statement.

**Resolved** that the Council's Annual Governance Statement 2019/20 as now submitted, be approved.

43/21

## **Financial Management Code**

The Committee noted a review of compliance with the Financial Management Code, which had been published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in recognition of the financial pressures that Councils were facing. An associated action plan had been developed to ensure that the Council was financially resilient and to provide assurance for stakeholders.

The Code was based upon six core principles which had been translated into a number of Standards:

- Responsibilities of the CFO and Leadership Team
- Governance and Financial Management Style
- Long to Medium Term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

The code applied to all local authorities. The first full year of compliance to the Code was 2021/22. However, CIPFA had reviewed this in light of the COVID-19 pandemic and the unprecedented impact on local authorities and concluded that *'whilst the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that that adherence to some parts of the Code will demonstrate a direction of travel'*.

The Council's external auditors would also be reviewing the authority's self-assessment against the Code and this would be reported in the Annual Governance Statement 2020/21.

In order to demonstrate conformity with the Code's standards, the Leadership Team including the Chief Financial Officer/ s151 Officer had reviewed its processes, procedures and governance arrangements to understand where the Council was already compliant with the standards. The Council was already meeting the majority of the Standards; however, areas of non-compliance had been identified with two areas rated as red. Actions had been identified to address this as well as some additional actions to

improve performance against other amber and green assessed areas. Overall, it was felt that the Council satisfied CIPFA's requirement to demonstrate a direction of travel towards full compliance of the Code during 2021/22.

44/21

### **Annual Internal Audit Report 2020/21**

The Committee received the Annual Internal Audit Report for 2020/21, 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.

Based on the work undertaken during the year and subject to implementation of the recommendations made, a reasonable level of assurance had been given by internal auditors that the Council had adequate and effective governance, risk management and internal control processes in place. However, it was noted that governance related issues as raised in the report were deemed to be borderline and would need addressing in 2021/22.

A number of key control issues, either through the work of the Council or the work of other assurance providers that required addressing were noted by the Committee. This included ongoing delays in the finalising of the Statement of Accounts and a number of issues raised by external auditors, Grant Thornton, alongside historic governance matters.

It was highlighted that the report covered a period up to March 2021 and issues that had come to light in previous weeks would feed into future reports.

Reference was made to a number of issues raised previously, including Voluntary Sector Grants, and an update on these items would be brought to a future meeting.

45/21

### **CIPFA Audit Committee Update**

The Committee noted the latest Update from the Chartered Institute of Public Finance and Accountancy (CIPFA).

The two key areas of focus in the edition included the purpose of an annual governance statement and the working relationship between internal and external audit.



46/21 **Estimates Letter 2020/21**

The Committee noted the response provided to external auditors in relation to the key accounting estimates to be included in the Council's financial statements.

In majority of cases officers made use of external advisors to assist in any calculations and followed a check and challenge process to ensure that the figures were satisfactory.

47/21 **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 the financial or business affairs of any particular person, including the authority holding that information.

48/21 **SEND Review**

In reference to Minute No. 110/21 of the Cabinet (at its meeting held on 16 June 2021) the Chair outlined his intention to carry out a learning exercise to understand all of the processes and procedures around the procurement of transport for children with special educational needs and disabilities (SEND). He proposed that an independent member of the Committee accompany him in meeting with relevant officers.

It was reported that a workshop could be arranged for all members of the Committee on the matter, following the meetings with officers.

The Director of Law and Governance and Monitoring Officer advised that members should focus only on gathering information to assist their understanding of the subject, prior to the presentation of a report to the Committee on the outcome of the associated reviews being undertaken by both internal and external auditors. If the Committee wanted specific issues to be addressed, then the appropriate process would be for a report to be presented to the Committee for consideration and relevant officers would address any points of clarification or detail raised by the Committee.

**Resolved** that the Chair and Independent Member, Mr Jay Hussain, meet with relevant officers to gain an understanding of the processes and procedures around the procurement of transport for children with special educational needs and disabilities (SEND).

Meeting ended at 7.03 pm

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