

Minutes of Audit and Risk Assurance Committee

Thursday 18 March at 5.00pm
Virtual Meeting

Present: Councillor Bostan (Chair);
Mr Ager (Vice-Chair and Independent Member)
Councillors Allen, Moore and Preece.
Mr Doyle and Mr Hussain (Independent Members)

Also Present: David Stevens (Chief Executive); Sujit Tour (Director - Law and Governance); Rebecca Maher (Head of Finance) Peter Farrow (Audit Services and Risk Management Manager); Mark Stocks and Zoe Thomas (Grant Thornton).

11/21 **Apologies for Absence**

Apologies for absence were received from Councillors Hevican and Jarvis.

12/21 **Declarations of Interest**

There were no declarations of interests made at the meeting.

13/21 **Minutes**

The minutes of the meeting held on 11 February 2021 were confirmed as a correct record.



14/21 **Annual Governance Statement 2019/20**

This item was deferred.

15/21 **Statement of Accounts 2019/20**

This item was deferred.

16/21 **Amendments to the Council’s Procurement and Contract Procedure Rules**

The Committee was asked to consider two amendments to the Council’s Procurement and Contract Procedure Rules. A comprehensive review was due to be carried out later in the year, however some amendments were required more urgently, based on advice from the Cabinet Office of the government.

Following the UK’s exit from the European Union (“Brexit”), the Council had some additional freedoms, which allowed it to restrict the supplier pool for certain contracts falling below the threshold set out in the Public Contracts Regulations 2015. This was subject to conditions, including being able to demonstrate that value for money was being achieved, and that the Council was acting in accordance with its constitution. This was directly aligned with the Council’s Inclusive Economy Strategy in that it would enable the Council to restrict the supplier pool that could bid for particular contracts to regional voluntary, co-community sector organisations, and small and medium sized enterprises.

The second changed proposed the temporary suspension of Rule 13 of the Procurement and Contract Procedure Rules to allow the Council to extend or modify existing contracts or directly award a contract without prior publication of a notice, in either urgent circumstances that could not be foreseen by the contracting authority (i.e. the covid-19 pandemic) or where there was a lack of resources to carry out the full procurement process. Again, this applied to contracts below the threshold set out in the Regulations and subject to the council receiving a satisfactory service. The



suspension of Rule 13 would be reviewed as part of the wider review of the Procurement and Contract Procedure Rules.

The Committee was assured that all due diligence checks would be undertaken when making a direct contract award.

Members requested a report to a future meeting setting out those contracts/occasions where a direct award or extension had been made under the temporary provisions.

Value for money would continue to be significant feature of the procurement process and the wider review of Procurement and Contract Procedure Rules would ensure that robust checks were in place to ensure that the council received value for money.

Resolved:-

- (1) that the Council is recommended to approve the revisions to the Procurement and Contract Procedure Rules as follows:
 - (a) suspension of rule 13 to permit extension of contracts in circumstances where the response to the impact of Covid-19 has resulted in lack of resources to undertake procurement processes;
 - (b) approval to make direct award of contracts below the thresholds set out in the Public Contracts Regulations 2015 in circumstances where the response to the impact of Covid-19 has resulted in lack of resources to undertake procurement processes;
 - (c) incorporation of Cabinet Office advice regarding reserving contracts below the thresholds set out in the Public Contracts Regulations 2015 by geographical location or specified sectors;
- (2) that, in connection with resolution (1) above, the Chief Executive and the Section 151 Officer are authorised to approve the extension of existing contracts due to expire in 2021.



Audit Findings Report 2019/20

The Committee considered the Audit Findings Report 2019/20, presented by the Council's external auditors.

The deadline for the preparation of the financial statements had been extended to 31 August 2020 and the date for audited financial statements to 30 November 2020, due to the covid-19 pandemic and the challenges of working in a remote environment. A draft set of accounts had been made available available by 31 August 2020, however, two key issues prevented the final audit opinion from being issued.

The Committee heard the detail of a number of adjustments to income and expenditure accounts that impacted on the Council's bottom line by around £1.8million.

The method by which the Council recorded and valued its fixed assets had been identified as a risk and a few matters remained to be clarified before external auditors were in a position to sign off the accounts.

Auditors had concluded that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except for its arrangements around children's social care with Sandwell Children's Trusts, where it was not felt that adequate progress had been made.

No material errors had been identified in the accounts that had led to a loss to the Council, however, a number of risks had been identified, which were outlined in detail to the Committee.

The Council had been advised to close down Sandwell Land and Property Ltd as its purpose was now moribund and its existence was having an impact on the valuation of land and property.

A number of IT control issues had been identified, which would be resolved upon the implementation of the new financial ledger in the forthcoming financial year.



The Committee was assured that many of the issues identified in the 2019/20 accounts had been addressed, and measures had been put in place to prevent the same occurrences in 2020/21. A working group had been established to look at options for a new asset management system and officers would work with external auditors to ensure that the system was of a high enough standard.

The Committee expressed serious concern about the issues raised and requested a report to a future meeting on the measures that had been put in place to address them, including an identification of the root cause of the issues. The Chief Executive also undertook to report back to the Committee with a detailed action plan identifying the remedial action taken, along with timescales.

Resolved

- (1) that a further report be submitted to a future meeting to include:-
 - (a) a detailed action plan setting out the measures that have already been put in place, along with those that will be, to address the issues raised in the 2019/20 statement of accounts in relation to the recording and valuation of the Council's assets,
 - (b) an identification of the root cause of the issues identified,
- (2) that the matter remain on the Committee's work programme until it is suitably assured that the issues identified have been fully addressed.

18/21 **PSA Informing the Risk Assessment**

This item was deferred.

19/21 **Internal Audit Plan 2021/22**

This item was deferred.



20/21

Exclusion of the Public and Press

Resolved that the public and press are excluded from the rest of the meeting. This is 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 that is likely to reveal the identity of an individual.

21/21

Audit and Governance Assessment Panel Update

The Committee received a report by the Director – Business Strategy and Change.

Councillors Moore and Preece expressed concerns about the lack of time they felt that they had had to read and digest the report. The Director of Law and Governance and Monitoring Officer confirmed that the dissemination of the information was consistent with the access to information rules.

The Committee examined the report and issues arising.

Meeting adjourned 8.31 – 8.47pm.

The Committee resumed its examination of the report and issues arising.

Due to the late hour and remaining issues under discussion, the Director of Law and Governance and the representative of the Council's External Auditor advised that the Committee adjourn the meeting and reconvene to another date in order to complete the consideration of the matter.

Councillors Moore and Preece concurred with this advice (and asked that this point be recorded in the minutes).

Following a debate on the adjournment, the Committee agreed to adjourn the meeting.



Meeting adjourned at 10.44pm.

**Meeting reconvened on 18 May 2021 at 12pm,
at Sandwell Council House, Oldbury**

The Committee noted apologies from Councillor Moore, and independent members Mr Ager, Mr Doyle and Mr Hussain. It was also noted that former Councillor Liam Preece was not present as he was no longer a member of the Council.

The Committee noted that the Council had already established an Equalities Commission, to drive and promote its equality, inclusion and diversity agenda across the Council.

Whilst the Committee was not minded to make any recommendations to the Executive, the Committee was of the view that its' resolutions should be brought to the attention of the Cabinet at its meeting scheduled for Monday, 24 May 2021.

Resolved:-

- (1) that appropriate mechanisms are developed and implemented to ensure that any assurances and confirmations provided on behalf of the Council by officers to third parties are clear and unambiguous;
- (2) that periodic reviews of the Council's Contract Procedure Rules are undertaken by the Council's Internal Audit team, to help ensure compliance and drive improvement and learning; and that these reviews are reported to the Audit and Risk Assurance Committee for its consideration;
- (3) during its examination of an historical investigation, this committee found evidence of racism and will be recommending that the Council apologises to those who have fallen victim of such behaviour. The relevant issues identified will be referred to the requisite external regulatory body for consideration. The Council also recognises that all necessary lessons must be



learned to avoid any recurrence. The Council reaffirms its absolute commitment to zero tolerance to any other form of discrimination;

- (4) the Council has already taken steps to address the issues identified, and has established an Equalities Commission, chaired by the Chair of this Committee, which provides an important platform and opportunity for the Council to continue driving and promoting its equality, inclusion and diversity agenda across the Council;
- (5) that the Committee's resolutions, are brought to the attention of the Cabinet at its meeting on 24th May 2021.

Meeting ended at 12.18pm on 18 May 2021.

The public session of this meeting was recorded and is available to watch <https://www.youtube.com/watch?v=ZoNX5YQjBJA>

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