

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.



66/21

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.

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