

Minutes of Audit and Risk Assurance Committee

**Tuesday, 11 January 2022 at 5.00 pm
at Council Chamber - Sandwell Council House, Oldbury**

Present: Councillor M Gill (Chair);
Mr M Ager (Vice Chair and Independent Member);
Councillors Akpoteni, Allen, Anandou, Z Hussain, O Jones
and Webb.

Also present: Councillors Kalari and Melia (observing).
Surjit Tour – Director of Law and Governance and Monitoring
Officer
Tony McGovern - Director of Regeneration and Growth
Peter Farrow – Audit Services and Risk Management
Manager,
Narinder Phagura - Business Partner- Audit Services
Zoe Thomas – Grant Thornton

1/22 **Apologies for Absence**

No apologies were received.

2/22 **Declarations of Interest**

There were no declarations of interest made.

3/22 **Minutes**

The Committee received the minutes of the meetings held on 18
November and 21 December 2021.



Resolved:-

- (1) that the minutes of the meeting held on 18 November 2021 are approved as a correct record, subject to the addition of the following resolution to Minute No. 66/21:

***Resolved** that the actions set out in the resolutions of the Committee made on 18 March 2021 are completed before the next scheduled meeting of the Audit and Risk Assurance Committee.*

- (2) that the minutes of the meeting held on 21 December 2021 are approved as a correct record.

4/22

Urgent Additional Item of Business

The Chair agreed that the matter referred to at Minute No. 7/22 (Update on the Implementation of Resolutions of 18 March 2021 (Audit and Governance Assessment Panel Update)) be considered as an urgent additional item of business.

The Chair felt that the matter was urgent because at its meeting on 18 November 2021 the Committee had resolved that the actions be completed by its next meeting.

5/22

Internal Audit Progress Report

The Committee noted an update on the progress made against the delivery of the 2021/22 Internal Audit Plan.

It was reported that a follow-up review on Riverside Housing Association, which managed a proportion of the council's housing stock, had identified four further areas for improvement:-

- rent collection and reconciliation
- property extract reconciliation (housing stock) records
- increasing rent areas
- internal audit's inability to access Riverside's computer systems.

Consequently, limited assurance had been given, however the Director of Housing would be working with Riverside to ensure that actions identified were implemented.

The Committee also noted some amendments to the Plan:-

- Working with the Voluntary and Community Sector – Further to Minute No. 62/21 (of 18 November 2021) this audit would now take place in 2022/23 to allow sufficient time for the new process for the administration and monitoring of these grants to embed.
- Oracle Fusion Programme – This had been one of the key lines of enquiry in the external auditor Grant Thornton's wider auditors Value for Money Governance Review. Internal Audit would be monitoring the implementation of the recommendations Grant Thornton had made as part of its 2022/23 internal audit work.
- Council Transformation and Recovery from the Covid-19 Pandemic – This would now form part of the 2022/23 internal audit plan, following the completion of the recent senior management restructure, alongside the recommendations made in the external auditors Value for Money Governance Review referred to above

Members expressed concern in relation to the ongoing recommendations for Riverside Housing and requested that representatives be asked to attend the Committee.

Resolved that representatives from Riverside Housing are requested to attend a future meeting of the Audit and Risk Assurance Committee.

3/22

Internal Audit Charter

The Committee received the Internal Audit Charter for review. The Charter was based on the Chartered Institute of Public Finance and Accountancy's (CIPFA) model charter and reflected the requirements of the Public Sector Internal Audit Standards.

There were no changes proposed to the Charter.

Resolved that the Internal Audit Charter 2022/23 is approved.

4/22

Appointment of the External Auditor

The Committee was consulted on proposals for the appointment of the Council's external auditors from April 2023 onwards.

The Council had previously opted into the national scheme for the appointment of its current external auditors, along with 98% of the sector. The Council had received an invitation to opt into the national scheme again.

Public Sector Audit Appointments was a not for profit, independent company incorporated by the Local Government Association. It offered value for money through collective efficiency savings for the sector as a result of undertaking one major procurement exercise. Surplus funds were distributed to scheme members and Sandwell had benefited from this in the past.

The Council could procure its own external auditor; however, this would be a lengthy and complex process. It was therefore recommended that the Council take up the offer to opt into the national scheme again. Under Regulation 19 of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations) the decision rested with the Council.

The Committee was assured that if the same external auditors were appointed again, a different audit partner would be assigned to the Council to provide a further level of independence.

<p>Resolved that the Council is recommended to take up the invitation from Public Sector Audit Appointments to opt into the national scheme for external auditor appointments from April 2023.</p>

5/22a

Strategic Risks Deep Dive: Risk 056 - Towns Fund Programme

Further to Minute No. 64/21 (of 18 November 2021) the Director of Regeneration and Growth was present to discuss Strategic Risk 056 - Towns Fund Programme.

The Committee was assured that, as a result of the measures put in place to address delays, the risk had now reduced to Amber, with a target date to reduce to Green by March 2022, which reflected the key milestone for the programme.

It was reported that one of the key delays in the preparation of the 16 business cases, was human resources. Long term staff sickness had had an impact, as had competing demands as officers had been working on the development of business cases on top of their full-time day to day roles. An officer had now been seconded to a permanent post to oversee the preparation of business cases and would also be in post throughout the delivery phase. In addition, the support of an external consultant had been engaged to support the process. The Council had been allocated funding to support the development of business cases, which would be used to pay for the consultants. Therefore the council's contribution to the process was in terms of officer time only.

Further delays had occurred due to the lengthy approval process for each business case. The Cabinet had therefore approved an alternative process at its meeting on 24 November 2021 (Minute No. 218/21 refers), which would reduce the length of time taken to approve each business case, whilst continuing to provide high level assurance through an Assurance Panel involving relevant cabinet members and directors. All business cases would also be presented to the Economy, Skills Transport and Environment Scrutiny Board for comment prior to them being submitted to government.

Most of the 13 remaining business cases were now rated Green on the risk register. Those rated Amber were due to the increased costs of construction and construction materials, which meant that some of the business cases were around 30% above budget and this was currently being worked through. One of the business cases was rated as a Red risk, and this was a complex transport scheme that required significant additional design work and involved a number of different partners.

Members raised concerns about the lack of representation from the Cradley Heath and Old Hill ward on Town Deal Boards. It was reported that this had now been addressed.

5/22b

Strategic Risks Deep Dive: Risk 061 - Partnerships and Contractors Service Delivery

Further to Minute No. 64/21 (of 18 November 2021) the Committee discussed Strategic Risk 061 - Partnerships and Contractors Service Delivery.

This had been a new addition to the Strategic Risk Register to recognise the Council's dependency on an array of contracts in one stand-alone risk, which was in addition to the entries on the Risk Register in relation to the individual contracts. The Risk would pick up any issues the council's key partnerships and contracts including Serco, Sandwell Leisure Trust, and Sandwell Children's Trust.

The recent Value for Money Governance Review, carried out by the council's external auditors had also included these contracts as key lines of enquiry. The inclusion of this as a new risk on the Strategic Risk register would also ensure that Committee had the opportunity to monitor the implementation of the associated recommendations made by external auditors and the delivery of an accompanying action plan.

6/22

Special Educational Needs and Disabilities (SEND) Passenger Transport Contract Update

The Committee was informed of the findings and recommendations from the June 2021 internal audit review of the Special Educational Needs and Disabilities (SEND) Passenger Transport Contract; the Grant Thornton Value for Money Governance Review (Key Line of Enquiry 04 relating to SEND transport); and the observations of the Chair, following his factfinding exercise into the matter.

A redacted version of the confidential internal audit report was circulated to the Committee to inform a discussion in public. Members expressed disappointment and concern however that the contents of the confidential report had already appeared on social media.

The Cabinet was due to consider a report on 12 January 2022, proposing new arrangements for the procurement of the contract, which included the abandoning of the Dynamic Purchasing System (DPS) model and undertaking a new procurement exercise. The Cabinet would also be considering the findings of the Children's Services and Education Scrutiny Board's review into the various models available for the contract. An extension would be sought to the current contract to provide service continuity whilst the new procurement process took place.

The internal audit report contained 16 recommendations for chief officers to implement. Whilst the report had not found that there had been a direct breach of Contract Procedure Rules, a number of areas for improvement in internal and administrative processes had been identified. The Committee would be able to seek assurances in the future on the implementation of those recommendations.

The Director of Law and Governance and Monitoring Officer advised that Contract Procedure Rules allowed the Council the right not to award a contract in circumstances where there were justifiable reasons, so it was unlikely that the council would be subjected to a legal challenge from the unsuccessful bidders.

As the Committee wished to discuss confidential information, the Chair moved 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. The motion was seconded and carried unanimously.

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.

Members felt that not enough attention had been paid to the level of risk involved the procurement of such a contract. The Committee was minded to look at other high value contracts at regular intervals to seek assurances that Contract Procedure Rules were being adhered to consistently.

Members expressed concern that an independent external review of the process had still not been carried out and felt that such was still necessary. The Director of Law and Governance and Monitoring Officer advised members that the Committee did not have the authority to commission an independent external review, and that authority was reserved to the Cabinet. He further advised that it was this Committee's role to focus on compliance.

It was proposed that the Chair and Independent Vice Chair develop a scope for an independent review. The Director of Law and Governance and Monitoring Officer advised the Committee to consider what a further review would achieve and what it could add to work already undertaken by both internal and external auditors. Members responded that they felt that the previous reviews did not provide a sufficient level of detail, due to the speed at which they had been undertaken and felt that an independent viewpoint was still required to ensure a complete understanding of the matter and prevent mistakes from happening again. The Director of Law and Governance and Monitoring Officer further advised to consider what value a further review could add.

Notwithstanding the advice from the Director of Law and Governance and Monitoring Officer, members were minded to pursue the development of a scope for an independent review.

Resolved:-

- (1) that the recommendations set out in the internal audit report on its review of the procurement of the Special Educational Needs and Disabilities (SEND) Passenger Transport Contract are endorsed;
- (2) that the Committee carries out regular reviews of high value contracts to seek assurances that Financial Regulations or Contract Procedure Rules are being adhered to consistently;

- (3) that the Chair and Independent Vice Chair develop a scope for and independent review into the procurement of the Special Educational Needs and Disabilities (SEND) Passenger Transport Contract.

7/22

Update on the Implementation of Resolutions of 18 March 2021 (Audit and Governance Assessment Panel Update)

In reference to Minutes Nos 21/21 (of 18 March 2021) and 66/21 (of 18 November 2021), the Director of Law and Governance and Monitoring Officer reported that he was working with the Interim Director of Human Resources regarding the issuing of apologies, where appropriate, to those staff that had been the victim of racist behaviour. A further referral had not yet been made to the relevant regulatory body as focus had been on the human resource matter. The Director of Law and Governance and Monitoring Officer would update members, in writing, on progress with both matters within the next week, following discussions with the Chief Executive.

In reference to Minute No. 25/21(3) (of 24 June 2021) members requested that the extraordinary meeting be arranged to further consider the matter. The Director of Law and Governance and Monitoring Officer cautioned members about re-opening the matter, and the perceivable benefits of doing such, given that both the former Audit and Governance Assessment Panel and the Committee had already spent a considerable amount of time on the matter in March 2021. Also, as one of the key themes raised by the external auditors, Grant Thornton, in its recent Value for Money Governance review was that the Council was unable to move forward as it was spending a significant amount of time on historic issues. Members felt however that the matter should be re-visited by the members currently appointed to the Committee.

The Director of Law and Governance and Monitoring Officer confirmed that the former Audit and Governance Assessment Panel would not be reconvened, as that the external auditors Value for Money Governance Review had now superseded the need for that.

Resolved that resolution (3) of Minute No. 25/21 of the meeting held on 24 June 2021 is progressed and an extraordinary meeting of the Committee is held in February 2022.

Meeting ended 7.20pm