

Report to Audit and Risk Assurance Committee

17 March 2022

Subject:	External Audit Report – Value for Money Governance Review and Improvement Plan
Director:	Interim Chief Executive Kim Bromley-Derry
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1. Recommendations

- 1.1. That the Committee notes Grant Thornton’s Value for Money Governance Review report.
- 1.2. That periodic updates are presented to the Committee in respect of the agreed Improvement Plan to enable the Committee to monitor progress and consider any matters arising for the Committee.

2. Reasons for Recommendations

- 2.1. Under sections 20 and 21 of the Local Audit and Accountability Act 2014 auditors must form a Value for Money (VFM) conclusion, having determined whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. As the council’s external auditors, Grant Thornton have conducted a review into the council’s governance arrangements and have a legal duty to report their findings publicly to Council.
- 2.2 Within their report, Grant Thornton have made a series of statutory and key recommendations and the council is legally required to provide a response that sets out how it will address the recommendations.



- 2.3 The report and the Council's Improvement Plan were presented to Council on 18 January 2022 and approved.
- 2.4 The council recognised and accepted all of the recommendations within Grant Thornton's report. As the recommendations span the governance arrangements across the whole council, the improvement plan that supports this response reflects corporate wide improvements that must be delivered and sustained.

3 How does this deliver objectives of the Corporate Plan?

- 3.1 The scope of the report is focused on the governance arrangements of the council and areas of improvement across the whole organisation. Therefore, this impacts on the council's ability to deliver all the objectives in the Corporate Plan.

4 Context and Key Issues

Governance Review – Background and Scope

- 4.1 In their role as the council's external auditors since 2019, Grant Thornton's monitoring of the governance arrangements in place led to concerns around the council's ability to look forward and manage the challenges and opportunities that all local authorities currently face.
- 4.2 In July 2021, Grant Thornton gave notice of their intention to conduct a Value for Money Review of the council's governance arrangements in order for them to fulfil their responsibilities as external auditor and reach a satisfactory conclusion to their audit on Value For Money. The purpose of this review was for Grant Thornton to draw conclusions on a number of key lines of enquiry and determine the extent to which further action is required by the council if necessary.
- 4.3 The scope of the review covered seventeen key lines of enquiry, split into two categories of:
- Services and Management; and
 - Meetings, Complaints and Relationships



- 4.4 The review was conducted between August and October 2021 through a document review and interviews with a range of elected members, officers and external stakeholders.
- 4.5 The council welcomed the review and the opportunity to demonstrate the improvements that have been made in many areas that were examined by Grant Thornton.

Recommendations of the Review

- 4.6 Grant Thornton issued their final report to the council on 3 December 2021 (Appendix 1). Within the report, Grant Thornton have made three statutory and five key recommendations that relate to the overarching governance of the organisation. The report also identifies 37 further improvement recommendations which relate to the individual key lines of enquiry of the review.
- 4.7 Grant Thornton have recognised that over the last few months the council has made progress towards resolving matters and improving the governance arrangements in place, and it is important that these changes are embedded.

Management Response - Improvement Plan

- 4.8 The council has recognised and accepted all the recommendations made by Grant Thornton as a result of their Governance Review. In many areas, steps had already been taken to begin to address the issues examined by the external auditors and the council is committed to prioritising and embedding sustainable improvements across the organisation.
- 4.9 The council has developed an Improvement Plan to address all of the recommendations made by Grant Thornton. To ensure that improvements already made are embedded into future practice, this Improvement Plan will formally map out those actions already in place as well new actions that address any gaps.
- 4.10 The Improvement Plan is attached to this report at Appendix 2. As well as named lead officers responsible and timescales for delivery, the Improvement Plan also includes measures of success so that the council



can track the impact of our activity and ensure our actions are addressing the issues identified by the Governance Review.

Reporting Mechanisms

- 4.11 Actions within this Improvement Plan have been embedded within directorate business plans. This provides clear lines of accountability for delivery of these actions and ensures resources can be focused on priority areas.
- 4.12 To ensure that senior officers and members have oversight of delivery against this Improvement Plan, progress will be monitored by Leadership Team monthly and reported to Cabinet quarterly. This will continue until all actions have been completed, or changes have been embedded into business as usual.
- 4.13 Grant Thornton will review progress against this Improvement Plan within six months and at 12 months. However, Grant Thornton reserve the right to increase monitoring activity should they identify any concerns through their normal business activity.
- 4.14 The role of the Audit and Risk Assurance Committee will be to seek assurance that the progress of the Improvement Plan is being reported to Cabinet quarterly and that recommendations are being implemented in a timely manner.

5 Alternative Options

- 5.1 The Governance Review was undertaken as part of the external auditor's role to provide assurance on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Therefore, the report is a public document and there was a requirement to report to Full Council. As the report included statutory recommendations the council had a legal obligation to respond appropriately. There are no alternative options to consider.

6 Implications

Resources:	The development of the Improvement Plan was carried out within existing resources. Additional resources may be required to implement agreed
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	actions to address the recommendations in the Governance Review.
Legal and Governance:	<p>The Governance Review was conducted under Sections 20 and 21 of the Local Audit and Accountability Act 2014, and therefore the report must be presented to Full Council as a public document.</p> <p>The council is legally required to respond to any statutory recommendations made by the external auditor, and demonstrate action is being or will be taken to address issues raised in the report.</p>
Risk:	<p>If the Council fails to take appropriate action to address the recommendations of the Governance Review, or the external auditors do not have sufficient confidence that appropriate actions are being taken, then the council risks not having effective governance arrangements in place to manage current and future needs of the organisation and the borough.</p> <p>This could lead to increased costs, damage to reputation and government intervention.</p>
Equality:	<p>The recommendations of the Governance Review considered the council's governance structures as a whole. Any changes to policies as a result of the recommendations will require Equality Impact Assessments during the development to ensure the implications of any proposals are fully understood before decisions are made.</p>
Health and Wellbeing:	<p>The recommendations of the Governance Review considered the council's governance structures as a whole. Any improvements to those structures will set out how they will strengthen the council's ability to deliver services that will improve the health and wellbeing of Sandwell.</p>
Social Value	<p>The recommendations of the Governance Review considered the council's governance structures as a whole. To address some of the recommendations, the council plans to develop its Social Value Policy in order to maximise the opportunities for Sandwell gained from our procurement spend.</p>



7. Appendices

- 1) Sandwell Metropolitan Borough Council: Value for Money Governance Review – FINAL Report (03 December 2021)
- 2) Governance Review - Improvement Plan

8. Background Papers

None

