

Minutes of Audit and Risk Assurance Committee

**Thursday 17 March 2022 at 5.00 pm
at Council Chamber, Sandwell Council House**

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

Also present: Mark Stocks (Audit Manager - Grant Thornton).

Officers: Simone Hines (Director of Finance), Surjit Tour (Director of Law and Governance and Monitoring Officer), Elaine Newsome (Service Manager – Democracy), Peter Farrow (Audit Services Manager), Narinder Phagura (Business Partner – Audit, Fraud, Risk and Insurance), Oliver Knight (Counter Fraud Lead).

11/22 **Apologies for Absence**

Apologies were received from Independent Member J Hussain.

12/22 **Declarations of Interest**

There were no declarations of interest.

13/22 **Minutes**

The Committee received the minutes of the meeting held on 11 January 2022.



In reference to Minute No. 10/22, members requested that the word “staff” in the first paragraph, be changed to “individuals”.

Members queried the accuracy of Minute No. 9/22. Members were of the view that a recommendation that the Cabinet commission an independent review was missing from the resolution.

The Senior Democratic Services Officer advised that her contemporaneous notes showed that, whilst there was a discussion around such, no specific motion had actually been moved recommending the Cabinet to commission an independent review. In response to a suggestion by the Committee, she also advised that, as the discussion had taken place in private session, there was no recording available to refer to.

The Director of Law and Governance advised that it was the Committee’s role to determine the accuracy of the minutes and the Senior Democratic Services Officer’s notes was the most contemporaneous record available to support the accuracy of the draft minutes now presented.

Resolved that the minutes of the meeting held on 11 January 2022 are approved as a correct record, subject to replacement of the word ‘staff’ with ‘individuals’ in paragraph one of Minute No.10/22.

14/22

Urgent Business

The Chair agreed that the matter referred to at Minute No. 23/22, (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 this was the final scheduled meeting of the 2021/22 municipal year and it was possible that the membership of the Committee could change in 2022/23, so it was important that resolution of outstanding actions could be discussed at this meeting.



External Audit Report – Value for Money Governance Review and Improvement Plan

The Committee noted the contents of the Value for Money Governance Review, issued by Grant Thornton on 3 December 2021. The report contained three statutory recommendations that the Council was legally required to respond to. The Council had therefore received the report at its meeting on 18 January 2022 and approved an Improvement Plan, which set out how the Council would respond to the recommendations (Minute No. 9/22 of the Council refers).

The external auditor noted that, since the publication of the report, the Government had announced that it was considering whether intervention was necessary.

A key concern identified by external auditors was the poor relationship between officers and members. A breakdown of trust had led to a lack of focus on a number of governance issues and an inability to move forward. It was recognised that progress had been made towards resolving matters, particularly since the appointments of the current Interim Chief Executive and the new Leader of the Council. However, it was highlighted that the focus needed to shift from past issues on to embedding sustainable change and service improvement, which would take time.

The Improvement Plan was a living document that mapped out actions that were already in place and new actions to address any emerging gaps. The Council had also recently undergone an LGA Peer Review and a financial management review by the Chartered Institute for Public Finance and Accountancy (CIPFA). The findings of all three reviews would be incorporated into a single improvement plan, which would be reported to this Committee and the Council as appropriate.

If Government decided to intervene, then Grant Thornton would discuss with Government what actions needed to be undertaken and the frequency of monitoring activity.



The Director of Finance reported that a corporate performance management framework was being developed, which would include a comprehensive set of key performance indicators to monitor performance and improvement, and would be reported and monitored through the appropriate committees.

16/22

External Audit Annual Audit Letter

The Committee received the annual letter from the Council's external auditors, Grant Thornton, for the financial year ending 31 March 2020.

The letter had only been issued recently due to delays in finalising the 2019/20 financial statements. It set out the issues encountered in finalising the 2019/20 accounts. The external auditors had issued a qualified value for money conclusion, mainly due to uncertain position with regards to Sandwell Children's Trust.

17/22

Internal Audit Progress Report

The Committee considered an internal audit progress report, which detailed matters arising from internal audit work undertaken between April 2021 and January 2022 outlining the progress made against the delivery of the 2021/22 Internal Audit Plan.

The Committee noted the audits carried out and the level of assurance given. A number of reviews were still underway and would be reported upon to a future meeting.

Most reviews of key financial systems had resulted in reasonable assurance being given. However, a review of Capital Accounting systems had resulted in no assurance, because of the delay in the finalisation and sign off of the 2020/21 accounts, the Council not yet having received any of the valuations for 2021/22, and with work still being in progress regarding the revaluation of assets, in year disposals and capital spend. Therefore, the planned Capital Accounting review was unable to be undertaken.



It had been noted however, that the Council was at present, looking to procure a new system that would provide a more integrated asset management system that would help to provide relevant information to both Finance and Strategic Asset Management.

The 2021/22 audit of the Council's accounts receivable module had highlighted that that recommendations made in the previous year had still to be fully implemented and this would continue to be monitored.

Members were advised that the Strategic Risk Register was the appropriate place to document risks in relation to the impact of the increase in utility costs, on both council buildings and residents.

18/22 **Internal Audit Plan 2022/23**

The Committee received the Internal Audit Plan for 2022/23 for consideration.

The Plan was based on, amongst other criteria, management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan had been designed to, wherever possible, provide assurance against those areas assessed with the highest need, which determined the frequency of audits. This ensured that key themes and areas were looked at on a frequent basis.

The Plan included a high-level review of Procurement and contracts, as previously recommended by the Committee.

Also, as previously requested by the Committee (Minute No. 5/22 of 11 January 2022), representatives from Riverside Housing Association would be asked to attend the next meeting to discuss the implementation of recommendations arising from recent audits.

Following the pandemic, it was proposed to recommence the cyclical review of the governance and financial procedures for council maintained schools. However, this would be subject to government guidance around the continued management of covid-19.



The Audit Services and Risk Management Manager, undertook to review the way narrative summaries were presented to Committee, in order to incorporate reference to the Three Lines of Defence Model wherever appropriate.

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

19/22 Counter Fraud Update

The Committee noted an update on the activities of the Counter Fraud Team.

The Council continued to take part in the National Fraud Initiative programme, which was a two-yearly data matching exercise led by the Cabinet Office.

It also referenced to pre-and post-payment checks undertaken in relation to covid-19 grant and support payments. This had identified £65,000 in overpaid grants which were now the subject of recovery action, and a further £530,000 worth of ineligible or potentially fraudulent claims had been prevented.

Some of the work carried out by the Counter Fraud Unit had been recently featured on the BBC One TV series, Fraud Squad.

A fraud awareness bulletin had been issued to all schools to provide them with knowledge and advice from the lessons that had been learnt from a previous fraud investigation conducted by the council, as well as serving as a reminder for general good practices to avoid fraud and misuse of school funds.



Strategic Risk Register Update

The Committee was updated on the profile of the key risks currently faced by the Council, and any new risks which had emerged since the risk register was last reported in November 2021.

The risk register was a live document and reflected the Council's risk profile at the time of writing in February 2022. The risks were subject to ongoing review to ensure they remained appropriate and were correctly assessed in order to aid informed decision making and resource allocation.

The register currently contained 21 strategic risks, 11 of which were rated Red, six Amber and four Green.

Risk 55 (Implementation of External Review) and Risk 59 (Corporate Governance) had been consolidated into a new risk 59a (Improvement Plan) to reflect the consolidation of recommendations from the Grant Thornton Value for Money Governance Review, the CIPFA review of Financial Management, and the LGA Peer Review.

The assessment of Risk 56 (Towns Fund) had reduced from Red to Amber, as a result of the work done in developing and progressing the business cases for the 16 projects which were all on track for submission to government by the deadline of 24 March 2022.

The rating of Risk 60 (Health and Safety) had been reduced from Amber to Green, due to the embedment of the ongoing measures in place to manage this risk.

In addition to Risk 59a, two further risks had been added to the register – Risk 62 (Climate Change) and Risk 63 (Interim and Future Management of Nine of the Council's Leisure centres).

The Committee noted the measures in place to mitigate risks.

In relation to Risk 21a, which related to compliance with data protection legislation, the Director of Law and Governance assured



members that the Council was compliant, however, application of the Data Retention Policy approved by Cabinet in February 2022 was taking place and robust processes were being developed to ensure that the Council only held historical data where there was justification. The risk therefore remained red in recognition of the ongoing work. The Director Law and Governance undertook to report to a future meeting on how the Council was carrying out its obligations under data protection legislation.

In relation to Risk 4 (Children’s Social Care) it was reported that the covid-19 pandemic meant that the full OFSTED inspection which was expected in 2020 did not take place as a result of all Ofsted inspections being suspended. There had therefore been a variation to the contract with the Trust, which now required a “Requires Improvement” rating by 2022 (as opposed to 2020). Consequently, the target date to be rated OFSTED “Good” had also been moved to 2024.

Preparation for a full review of the Service Delivery Contract between the Council and the Trust in 2023 was also in hand. This was being led by the Director of Children’s Services and involved the whole leadership team as well as the Trust. It was also noted that a report was due to be presented to the Cabinet on a proposed way forward for the recruitment and retention of social work staff, in light of national pressures.

In relation to Risk 42a (Cyber Security) members were assured that progress was being made to mitigate this risk on an ongoing basis, however, it remained Red on the register due to the ongoing need to review the measures in place to ensure any new threats were being addressed.

21/22

Cabinet Forward Plan

The Committee noted the Cabinet’s Forward Plan, which set out the key decisions that the Cabinet was due to take at forthcoming meetings. The Plan was presented for information and to give the Committee an opportunity to contribute to any items or raise any issues with the Executive.



22/22

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.

23/22

Update on Implementation of Previous Recommendations

The Committee received an update on the implementation of the resolutions made at its meetings held on 18 March 2021 (reconvened on 18 May 2021) (Minute No 21/21 refers) and 24 June 2021 (Minute No 25/21 refers).

In respect of resolution (3) of Minute No. 25/21 (of 24 June 2021) the Director Law and Governance reported that it had not been possible to agree a suitable date with the Chair for the additional meeting to take place.

The Committee received an update on the matter.

Resolved that, in reference to Minute No. 21/21(3) of the meeting held on 18 March 2021, (reconvened on 18 May 2021), the Committee feels that it has come to an impasse with officers in relation to this matter, which is preventing further progress; and therefore recommends that the Executive commissions an external review into the matters raised in relation to alleged racism and whether it is appropriate for the Council to issue an apology to the individuals concerned.

Meeting ended at 7.22 pm.

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