

Minutes of the Audit and Risk Assurance Committee

**8th November, 2018 at 5.00pm
at the Sandwell Council House, Oldbury**

Present: Councillor Preece (Chair);
Mr Ager (Vice - Chair and Independent
Member);
Councillors Ali, Dr Jaron, Jarvis and Piper.
Messrs Doyle and Hussain (Independent
Member).

Apology: Councillor Singh.

44/18 **Minutes**

Resolved that the minutes of the meeting held on 26th July, 2018 be confirmed as a correct record, subject to the deletion of Minute No. 33/18.

45/18 **Appointment of Independent Member**

The Committee noted that, at its meeting on 16 October, the Council had given approval to increase the membership of the Committee to include a third independent member. As such, Mr Heikki Doyle had been appointed for a four-year period ending 22nd October 2022.

46/18 **KPMG - External Audit ISA 260 Report and Annual Audit Letter 2017/18**

The Committee noted the Council's External Audit ISA 260 report, submitted by its external auditors KPMG. The report summarised the key findings in relation to the Council's 2017/18 external audit. The audit had focused on the Council's significant risk areas, as well as other areas of its financial statements.

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Based upon the initial assessment of risks to the financial statements, as set out in the External Audit Plan 2017/18, three significant risks had been identified which related to the guidance and method used to value Council properties, the presentation of pension liabilities and the timetable for the closedown of accounts. The Executive Director – Resources reported that all actions in relation to the risks had been completed.

The Committee also received the Council's Annual Audit Letter 2017/18, which summarised the outcomes in relation the audit activity that year. Five high priority recommendations had been made as a result of the work of the External Auditors. All had been agreed by management and actions had been put in place to implement them.

The Committee requested a report on progress in addressing the outstanding actions and recommendations set out in Appendix 1 of the Letter.

The External Auditors concluded that in 2017/18, with the exception of Children's Services, the Council had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. In reaching their conclusion, they continued to consider the findings of inspectorates in respect of Children's Services, in particular the re-inspection in November 2017 that concluded that services remained inadequate and the effectiveness of some services had deteriorated. Therefore, they concluded that for Children's Services, for the year ended 31 March 2018, the Council did not have proper arrangements for informed decision making and sustainable resource deployment.

The Committee noted the increase in the external audit fee, due to additional unplanned work that had taken place.

The Council's new external auditors, Grant Thornton, would be following up on outstanding recommendations in relation to both reports.

The Committee thanked KMPG for its work and support to the Council.

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Resolved that a report on progress in addressing the outstanding actions and recommendations set out in Appendix 1 of the Annual Audit Letter 2017/2018 be submitted to a future meeting of the Audit and Risk Assurance Committee.

47/18 Grant Thornton Audit Progress Report and Sector Update

The Committee noted a report from the Council's new external auditors, Grant Thornton, who had been appointed from 1st April 2018, detailing progress in relation to 2018/19 audit activity.

Given the short period of time since Grant Thornton had been appointed, there was limited information to report on progress, however, the report set out the planned work over the next six months. The External Audit Plan for 2018/19 would be submitted to the Committee in January 2019.

A summary of emerging national issues that may impact on the Council was also provided, including a summary of relevant articles from the Chartered Institute for Public Finance and Accountancy (CIPFA), the Ministry of Housing, Communities and Local Government (MHCLG), the Institute of Fiscal Studies (IFS) and the National Audit Office (NAO). Once Grant Thornton had a more comprehensive understanding of the local context it would be able to offer insights and advice to the Council on these issues.

The Committee also noted the reduced audit fees, which had followed a national tendering process by Public Sector Audit Appointments.

48/18 Internal Audit Charter

The Committee received the Council's Internal Audit Charter for review. The Charter had been prepared in line with the Public Sector Internal Audit Standards and approved by the former Audit Committee in 2013 and was now before the Committee for annual review.

It was reported that there were no changes to the Charter.

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The Committee was minded to approve the Charter, subject to an amendment to reflect the implementation of the General Data Protection Regulation.

Resolved that, subject to an amendment to reflect the implementation of the General Data Protection Regulation, the Council's Internal Audit Charter 2018/19 be approved.

49/18 **Internal Audit Progress Report**

The Committee noted a report summarising the work carried out by Audit Services from 1 April 2018 to 30 September 2018. The information included in the progress report would feed into, and inform the overall opinion in the Internal Audit Annual Report issued at the year end.

There had been four "Limited Assurance" opinions issued relating to audits on the following:-

- Lightwoods House
- the loss of tower lights from Sandwell Valley
- cash procedures and receipt books at West Bromwich Market
- debt collection and income management

In relation to Lightwoods House, members expressed concern at the property's current reliance on a cash system and the risks around this. The Audit Services and Risk Management Manager shared the concerns and stated that the property would be moving to a cashless system. It was reported that separate accounts were kept for Lightwoods House and the Executive Director-Resources undertook to circulate the accounts to members of the Committee.

The Chair expressed concern about thefts at Sandwell Valley and West Bromwich Markets and how this was being addressed. The Audit Services and Risk Management Manager responded that, as with most working practices the continued move to electronic and cashless systems would see the need for controlled stationary reduce. In relation to the loss of tower lights from Sandwell Valley, this was the largest asset loss in the last year

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and had cost the Council around £21,000. Security procedures and inventory controls and trails had now been improved.

50/18 Riverside Internal Audit Update

Further to Minute No. 36/18 (26th July, 2018) the Committee received an update report on the internal audit arrangements with Riverside Housing. Two officers from Riverside were in attendance in order to answer any questions the Committee may have.

Four reviews had recently taken place, three of which had received “Limited Assurance” opinions. The Committee noted the detailed and key findings of each review, which had been shared with managers at Riverside. It was reported that many of the recommendations had been actioned already, however a timeframe of six months for completion of most actions had been agreed.

Riverside’s performance was monitored through 23 Key Performance Indicators, which were aligned to the Council’s Vision and scrutinised by the Council on a quarterly basis. Riverside residents were well engaged with performance and management through the Friends of Riverside and excellent feedback had been received on the service provided.

51/18 Council Update on Allegations of Fraud, Misconduct and other issues

The Committee noted progress in relation to a number of investigations and reviews relating to concerns that had been raised through a number of avenues following the Wragge & Co (now Gowling WLG). It was anticipated that this would be the final report on these matters. The report referred to four matters:

- Inappropriate member involvement in dismissing an employee
- Independent member advice ignored
- Sheepwash Nature Reserve
- Lion Farm Playing Fields

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The Chair requested that a separate report be submitted to a future meeting on how the use of Section 106 monies is monitored by the council.

Resolved that a report on how the use of Section 106 monies is monitored by the Council be submitted to a future meeting of the Audit and Risk Management Committee.

52/18 **CIPFA Audit Committee Update**

The Committee noted the latest CIPFA Audit Committee Update which addressed CIPFA's Position Statement on Audit Committees in Local Authorities and Police, a briefing on topical issues and training.

It was highlighted that, following the recent increase in the number of independent members on the Committee to three, the Council could demonstrate that it was meeting the new CIPFA recommendation to have an independent member serve on the committee.

The Committee noted that the Committee on Standards in Public Life had published a progress report to its 2014 report on ethical standards for public service providers. The 2018 report highlighted that progress in implementing its earlier recommendations had been disappointing and it remained that more must be done to encourage strong and robust cultures of ethical behaviour in those delivering public services.

53/18 **Strategic Risk Register Update**

The Committee noted a summary of the Council's strategic risks and the Council's assurance map.

The risk register currently included 18 strategic risks- six of which had been assessed as "red" risks, 11 as "amber" and one as "green". Mitigating actions were monitored by risk owners to ensure that risks were reduced to acceptable levels.

The Committee was reminded that, with regards to Children's Social Care, the statutory responsibility for the service remained

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with the Council, however, the Children's Trust was contracted to fulfil those responsibilities. The Trust had its own internal audit arrangements in place and its own audit committee, which monitored its risk register. Regular meetings took place between the Trust and Council chief officers through the contractual governance arrangements of the Strategic Partnership Board and the Operational Partnership Board.

In reference to Risk Ref 21a on compliance with legislation around data protection, the Chair requested that an evaluation of the Council's position be undertaken before the end of the municipal year and the findings reported to the Cabinet.

In reference to Risk Ref 50 on the Commonwealth Games Aquatic Centre, it was reported that the first phase of public consultation on the principle of the development had now ended and the feedback had been positive overall. Detailed feedback would be published in due course and further consultation would be taking place on the detailed plans. Notwithstanding this, comments would continue to be welcomed from the public.

Resolved that an evaluation of the Council's position in relation to the requirements of the Data Protection Act 2018 and the General Data Protection Regulation be undertaken before the end of the 2018/19 municipal year and the findings be reported to the Cabinet.

54/18

Cyber Security Strategic Risk Update

An update report was noted on the Council's strategic risk related to cyber and information security.

The report set out the 10 high level steps recommended by the National Cyber Security Centre and the Council's current position on each step.

It was reported that Sandwell would be leading on the establishment of a West Midlands group to share good practice and further explore options around joint procurement of hardware and software.

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The IT service received daily reports on the effectiveness of the Council's malware, which detailed attempted breaches as well as actual. This information was then reported up to the IT Management Board on a monthly basis. Threats remained constant and were continually evolving to overcome the security software in place, however, the Council was confident in its current arrangements.

It was acknowledged that the report before the Committee was deliberately high level to avoid exposure of any vulnerabilities and ensure the Council's safety and security. The Chair requested that a further, more detailed, report be submitted to a future meeting, which would be taken in private session to enable a fuller discussion of the matter without exposing the Council to any risk.

Resolved that a further, detailed, report be submitted to a future meeting of the Audit and Risk Management Committee on the Council's strategic risk in relation to cyber security and arrangements in place to manage them.

55/18

Response to letter to Home Secretary and the Director of Public Prosecutions

Further to Minute No. 16/18 (22nd February 2018) the Committee received the response from its letter to the Home Secretary and Director of Public Prosecutions on concerns about the challenges presented by current guidance and legislation on pursuing legal action in respect of those accused of misconduct in public office.

The Chair expressed disappointment that the response failed to address the points raised in the letter and proposed that a further letter be sent, re-iterating the concerns. He also suggested that local Members of Parliament be asked to sign the letter, which may support a better address of the issues within it.

Resolved that the Chair, on behalf of the Audit and Risk Management Committee, writes again to the Home Secretary and Director of Public Prosecutions re-iterating the concerns about the challenges presented by current guidance and legislation on

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pursuing legal action in respect of those accused of misconduct in public office.

56/18 **Work Programme 2018/2019**

The Committee noted its work programme for 2018/19.

In addition to the items requested as detailed in the above minutes, members asked for an update on the external partners and providers the Council had and how it ensured that they could demonstrate strong and robust ethical behaviour.

Resolved that items on the following matters be added to the Audit and Risk Assurance Committee's 2018/2019 work programme on dates to be determined, in consultation with appropriate officers:-

- progress in addressing the outstanding actions and recommendations set out in Appendix 1 of the Annual Audit Letter 2017/18;
- how the use of Section 106 monies is monitored by the council;
- how the Council ensures that its external partners and providers can demonstrate strong and robust ethical behaviour;
- an evaluation of the Council's position in relation to the requirements of the Data Protection Act 2018 and the General Data Protection Regulation;
- the Council's strategic risks in relation to cyber security and arrangements in place to manage them.

(Meeting ended at 6.31pm)

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