

## **Minutes of the Audit and Risk Assurance Committee**

**22<sup>nd</sup> March 2018 at 5.00pm  
at the Sandwell Council House, Oldbury**

**Present:** Councillor Preece (Chair);  
Mr M Ager (Vice-Chair and Independent Member);  
Councillors Gavan, Dr Jaron, Jarvis and Piper.

**Apology:** Councillor Sandars.

19/18 **Minutes**

**Resolved** that the minutes of the meeting held on 22<sup>nd</sup> February, 2018 be confirmed as a correct record.

20/18 **Audit and Risk Assurance Committee – Terms of Reference, Annual Review**

It was reported that the terms of reference were last presented for review to the Audit and Risk Assurance Committee in March 2017. It was recognised as best practice that the terms of reference were reviewed annually to ensure they remained fit for purpose.

The Committee were of the opinion that the terms of reference were indeed, still fit for purpose.

21/18 **Internal Audit Plan 2018/19**

The Committee received the internal audit plan for the period 2018/19.

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It was reported that the plan was based on the risk priorities as set out in the Council's risk analysis/assessment and had been designed to cover the key risks identified by this analysis. The plan would be used to produce an annual audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

The report highlighted the forthcoming themes of work that had been allocated for auditing:

- Key Financial Systems;
- Implementation of General Data Protection Regulation (GDPR);
- Cyber Security;
- Disposal of land;
- Procurement, which included the introduction of purchase cards.

The Vice-Chair sought clarification as to the Council's involvement with the Children's Trust in respect of auditing. The Audit Services and Risk Management Manager confirmed that the Trust's performance was to be assessed over the next 12 months to enable service delivery to be monitored.

Members sought reassurance related to GDPR regarding data which would be collected by themselves over the election period from constituents. The Monitoring Officer informed Members that it was imperative that certain areas of data control were understood by Members, and that the relevant information and support be disseminated in the near future.

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### **Internal Audit Progress Report as at 28 February 2018**

The Committee received a report on progress made against the delivery of the 2017/18 Internal Audit Plan, which provided details of the performance of the internal audit service for the period ending 28 February 2018.

Work undertaken with Riverside was highlighted as was the audit of Newtown Primary School. The Audit Services Manager confirmed that an update on Newtown Primary School would be included in the Annual Internal Audit Report that would be presented to the next meeting of the Committee.

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### 23/18 **The Chartered Institute of Public Finance and Accountancy Audit Committee Update 24**

The Committee noted the latest publication issued by The Chartered Institute of Public Finance and Accountancy which addressed the Audit Committee Role in Risk Management and included a regular briefing on current issues.

The Committee welcomed the report.

### 24/18 **Internal Audit – External Assessment**

The Audit and Risk Assurance Committee considered the option for the Council's Internal Audit Team to undertake a self-assessment with independent valuation in order to meet the requirement of the Public Sector Internal Audit Standards for an external assessment.

The assessment was to be conducted at least once every five years, and the Chair of the Audit and Risk Assurance Committee was to be the appropriate sponsor.

To complete the assessment, a full external assessment may be arranged or a self-assessment with independent validation may be undertaken.

Having considered all the options, the Committee were minded to recommend that a self-assessment with independent valuation be undertaken by the Internal Audit Team. Reasons for this preference included the financial savings against the costs involved in procuring a full external assessment, and that a good level of assurance could already be placed on the existing strong working relationship between the internal auditors, the Audit and Risk Assurance Committee and the external auditors.

**Resolved** that a self-assessment with independent valuation be undertaken by the Council's Internal Audit Team in relation to the External Assessment.

25/18      **Counter Fraud Update**

The Committee received an update report on Counter Fraud.

The report provided an update on the areas of counter-fraud activity recently undertaken by the Council's Counter Fraud Unit.

Members noted that the Council had recently experienced a significant financial loss which had followed a request from a third-party organisation to have their bank account details amended prior to a payment being made. The request was actioned which was followed by a £16,000 payment. It was later established that a cloned email account had been used to request the bank account amendment, without the Council's or third party's knowledge.

The Counter Fraud Unit conducted an investigation and established that procedures had been in place should a change in bank account details be requested, however they had not been adhered to on this occasion. The Council's control measures which surrounded bank account amendments had been reviewed and would have been sufficient to prevent the loss had they have been followed.

This incident had been reported to Action Fraud and a report had been compiled, and the findings of the investigation had been reported to the Service Area concerned and reported to the Section 151 Officer.

The Committee noted that Adult Social Care was a continued area of focus due to the significantly large budget within the service area.

Members highlighted recent social media coverage which concerned Lion Farm playing fields. This story alleged that Council policies and procedures had not been followed. The Committee requested a report on this matter be presented to the next meeting.

**Resolved** that a report be presented to the next Audit and Risk Assurance Committee on Lion Farm playing fields.

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### **Update on Allegations of Fraud, Misconduct and Other Issues**

The Audit and Risk Assurance Committee received an update on allegations of fraud, misconduct and related issues. The update was to reassure the Committee that the issues identified had been comprehensively and promptly addressed.

The report updated the Committee on a number of investigations and reviews, which related to concerns that had been raised alongside the Wragge & Co (now Gowling WLG) report, some of which went back several years and had only come to light following more recent investigations.

These investigations underlined the Council's commitment to investigate any allegations in an open and transparent way. The Council was determined to deal with any allegation properly, professionally and appropriately.

This report covered concerns relating to:

- The disposal of land at Clarkes Lane/Heath Lane;
- The Celebration Sculpture.

The findings from these two reviews had been shared with the Monitoring Officer. Following due consideration, a decision based on the evidence available was arrived at. Whilst there were no areas of concern in regard to the Celebration Sculpture, and there was insufficient evidence to amount to a breach of the Members Code of Conduct in regard to the disposal of land at Clarkes Lane/Heath Lane, a number of control issues had arisen over this disposal and would be addressed.

Members voiced concerns that the control issues would be robust enough to safeguard the Council against any reoccurrence of the issues related to the involvement of an elected member, who assisted a member of the public when enquiring about the purchase of Council owned land. It was requested that the Ethical Standards and Member Development Committee considered how the guidance could be strengthened.

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**Resolved** that the Ethical Standards and Member Development Committee be requested to consider ways to strengthen the guidance given to elected members in relation to their involvement in assisting members of the public in Council land purchase queries.

### 27/18 **Strategic Risk Register and Assurance Map Update**

Members were updated on the Council's strategic risks and risk assessments.

The key changes reported were:-

- A new risk (risk 4c) had been identified relating to the increased demand experienced locally and nationally for Children's Social. It was noted that without a national funding solution and improved children's social care services, it would have a detrimental impact on the Council's financial resilience.
- A new red risk (risk 49) in respect of Delayed Transfer of Care had been escalated from the Adult Social Care, Health and Wellbeing directorate risk register.
- A new risk (risk 50) in respect of the Aquatic Centre had been included in the risk register.

Members noted that the risk relating to the establishment of the Children's Trust would be removed from the register once the Trust go live date was met, which was expected on 1<sup>st</sup> April 2018.

It was reported that a further update on the risk register, target dates, direction of travel and detailed commentary on the management of the strategic risks would be provided at the next meeting.

#### **Resolved:-**

- (1) that the Strategic Risk Register, be agreed;
- (2) that a further report on the risk register, target dates, direction of travel and detailed commentary on the management of the strategic risks be submitted to the next meeting of the Audit and Risk Assurance Committee.

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### **28/18 Work Programme 2017/18**

The Committee noted its work programme for 2017/18.

(Meeting ended at 6.30pm)

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