

Minutes of the Audit and Risk Assurance Committee

**22nd February, 2018 at 5.00pm
at the Sandwell Council House, Oldbury**

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

Apologies: Councillors Allcock and Sanders.

12/18 **Minutes**

Resolved that the minutes of the meeting held on 18th January 2018 be confirmed as a correct record subject to the following changes:-

Minute No. 3/18 paragraphs 7 and 8 should read;-

KPMG confirmed that an objection had been received in relation to the Council's Private Finance Initiative (PFI) arrangements.

KPMG added that they had received similar objections at several other authorities. The objection had meant that KPMG had not yet been able to issue their audit opinion.

An addition to paragraph 10 to read :-

The trust would make the decision as to who they appointed as their auditors.

13/18 **Procurement and Contract Procedure Rules**

The Committee received the Procurement and Contract Procedure Rules 2018/19.

Audit and Risk Assurance Committee – 22nd February 2018

The Council as a body using public resources was obliged to set and follow the highest possible standards of financial control and stewardship. The Procurement and Contract Procedure Rules provided a process to follow to ensure that officers felt confident that no problems would occur providing these procedures had been followed.

A review of the processes for the Corporate Procurement Service identified the need to reduce non-value-added processing activity.

A proposed change to roles and responsibilities meant that the Chief Finance Officer, or Chief Executive when the services fell within the Chief Finance Officer remit, would approve exemptions for contacts up to £250,000.

At the request of managers from across all services, procurement cards would be used for small transactions up to £250 where no Council contract was in place.

To strengthen the role of social value matters, officers awarding contracts in future would consider price, quality and the impact of social value prior to procurement.

Presently responsibility for procurements above £5,000 sat with the Corporate Procurement Team, changes proposed included that responsibility for procurement activity below £50,000 be moved to service areas supported by the Corporate Procurement Team.

Members considered that procurement cards were a good idea and enquired about the total transactions since they had been rolled out.

Officers advised that the information was not available presently, however this would be reported at a future meeting. It was confirmed that the activity on the cards had been lower than anticipated, however it was expected that activity would increase as the default position had moved and it was obligatory to use the procurement cards for small transactions as there were incentives attached to the usage. Senior officers would still monitor and authorise the procurement card transactions.

Audit and Risk Assurance Committee – 22nd February 2018

Process training would be undertaken with staff prior to issue of a procurement card and would be built into the induction for new staff.

The Procurement and Contract Procedure Rules would be presented to Cabinet once approved a programme of awareness and training would be rolled out to all Council staff.

Members asked about the auditing arrangement for the procurement card transactions.

Officers advised that a sample check of all procurement card transactions would be subject to an annual audit and reported back to the Committee where appropriate.

Resolved:

- (1) that the Committee had received and commented on the Procurement and Contract Procedure Rules;
- (2) that a report be submitted to Committee in relation to Procurement Cards in twelve months' time.

14/18

Financial Regulations Audit Report

The Committee considered a report in respect to the proposed revisions to the Financial Regulations.

A full review of the Financial Regulations had been undertaken and there were no significant changes required, with the exception of an increased virement limit for Chief Officers in line with key decisions and as detailed in the section on Financial Procedures.

Members were advised of the content of the Financial Regulations introduction attached to the report and in particular to the following key points:-

- All employees and Members must read and understand the Financial Regulations and Procedures and it was the employee responsibility to clarify areas they did not understand.

Audit and Risk Assurance Committee – 22nd February 2018

- A material breach of financial regulations by employees may result in disciplinary action being undertaken and a material breach undertaken by Members may be referred to the Standards Committee.
- the Chief Finance Officer and Monitoring Officer should be notified immediately of matters involving financial irregularity. They would consult with the Chief Executive and where necessary refer the matter to the Council's Audit and Risk Assurance Committee. Where there was evidence that a criminal offence may have been committed the matter would be reported to the police immediately.

Members were informed that matters of financial irregularity would be referred to them for information and assurance around the adequacy of processes in place.

Clarification in respect to the calculation of reserves had been requested and it was confirmed that the level of free balances equated to between 3% and 5% of budgeted net expenditure. This would be reported on within the budget report to Council in March and a report would be brought to the Audit and Risk Assurance Committee.

A monitoring report in respect of recovery rates and breakdown of financial years would be going to Cabinet.

Resolved: that the Committee had received the proposed changes to the Financial Regulations report.

15/18

New Policy related to Grants to Community Organisations

The Committee considered the Council's process for awarding grants to community organisations and the use of grot spot funding.

Two internal audit reviews previously reported to the Committee had shown significant issues and these fed into a wider review undertaken by Neighbourhood Services which had been presented to Cabinet in February 2017. An update on the progress made in implementing these recommendations was presented.

Audit and Risk Assurance Committee – 22nd February 2018

New procedures were being prepared in readiness for the launch of a new grants programme on 1st April 2018.

It was proposed that a period of three to six months be given for the procedures to be embedded and an update report be brought back to Audit and Risk Assurance Committee.

Members were concerned about underspends in respect of grants and considered that the complexity of authorisation had a bearing on that.

Officers agreed that control procedures could make it more difficult to apply for the funding and it would be necessary to strike a balance to ensure that processes did not hinder utilising the funds. Consideration would be given to linking procedures into town plans and arrangements that were already in place.

The Chair asked for more accountability and evidence that the funding had been used appropriately.

Resolved: that the Committee had received the changes in respect to the Council's process for awarding grants to community organisations and note the implementations of internal audit recommendations.

16/18

Letter to Home Secretary and the Director of Public Prosecutions.

Further to minute no. 9/18 taken on 18th January 2018 the Audit and Risk Assurance Committee expressed that it was not in the interest of the electorate that legal action related to misconduct in public office should have been so difficult to pursue.

It was suggested that current legislation should be reviewed and that a letter be prepared on this matter to the Director of Public Prosecution and the Home Secretary.

A final draft of the letter was attached to the report for approval.

Resolved that the final draft letter to the Home Secretary and the Director of Public Prosecutions be approved.

17/18 General Data Protection Regulation Update

Further to minute no. 6/18 taken on 18th January 2018 the Committee had requested an update with a focus on the significant impact it would pose for the Council.

The General Data Protection Regulations was a legal requirement that must be implemented by 25th May 2018 and was a direct replacement for the Data Protection Act 1998.

One of the primary changes to the legislation meant that the fine for a breach which was now £500,000 would be 20 million Euros under the new legislation.

Every individual had the right to know how any organisation processes their personal data. At the point of collection each individual should be informed of how their information would be used, the reason it was being collected and how would the data be shared and how long it would be held for.

All services had been identifying processes and every single form that the Council used would be updated to comply with regulations.

The right of access to your own information has been changed from the existing 40 days to respond to 28 days.

Every individual has the right to ask for their personal information to be deleted from records, however the local authority does not have to where there was a legal statutory requirement to keep the data.

There was a requirement on members as data controllers and detailed information for members would be accessible later this month and it was planned to arrange member briefings.

Members were concerned about liability and asked if it was necessary for them to take out individual indemnity insurance.

Officers confirmed that the Council had adequate indemnity for this purpose. Councillors would be assisted with decisions around the retention and disposal of information.

Audit and Risk Assurance Committee – 22nd February 2018

Training would form part of the Member Development Programme. Bespoke training packages within the programme would consider key training for members to undertake on a regular basis.

Members were concerned about how the regulations would affect the collection of constituent's data when they were dealing with issues and how long they would be able to keep that data.

Officers confirmed that the individual could consent to allow data to be kept for as long as was necessary or relevant.

Members asked if it was anticipated that a large number of individuals would request the deletion of data and how prepared the Council was for implementation.

Officers confirmed that this had been built into the communications strategy. Training was being rolled out to all members of staff and options were being considered for how this would be promoted to the public.

18/18 **Work Programme 2017/18**

The Committee noted its work programme for 2017/18 and the audit report in respect of Procurement Cards was to be added to the programme for return to Committee in 12 months-time.

Resolved that a report be submitted in relation to Procurement Cards in twelve months' time.

(Meeting ended at 5.55pm)

Contact Officer: Shane Parkes
Democratic Services Unit
0121 569 3190