

Minutes of Audit and Risk Assurance Committee

**Tuesday 28 June 2022 at 6.00 pm
at Council Chamber, Sandwell Council House**

Present: Councillor Preece (Chair)
Councillors Anandou and L Giles.
Mr Ager (Independent Member).

Officers: Rebecca Maher (Head of Finance);
Rebecca Jenkins (Senior Lead – Service Improvement);
Matt Powis (Senior Democratic Services Officer);
Amundeeep Johal (Democratic Services Officer);

24/22 **Apologies for Absence**

Apologies were received from Councillors Choudhry and Hinchliff and Independent Member, J Hussain.

25/22 **Declarations of Interest**

There were no declarations of interest.

26/22 **Minutes**

Resolved

That, the minutes of the previous meeting held on 17 March 2022 be confirmed as a correct record.



27/22

Urgent Business

The Chair agreed for two additional items to be added to the agenda which included the Committee's work programme for the 2022/23 municipal year and the Cabinet Forward Plan.

28/22

Strategic Risk Register Update Report

The Committee received an update on the Strategic Risk Register since the last reporting in March 2022.

The Risk Register identified 19 risks, 9 of which were red, 5 amber and 4 green.

Changes to the risk register included:

- Business continuity management was highlighted as a red risk due to an incident occurring in an ICT room in May 2021, which resulted in a temporary loss of access to Council systems and SBS (the Council's finance/human resources procurement system). The Council had requested a review of resilience arrangements in relation to this matter and it was hoped the risk would reduce in future.
- Towns Fund Programme was originally regarded as a risk at the time of submission of business cases. However, since the last reporting period, the business case had been successfully submitted therefore the risk had reduced. It was highlighted that a new risk would be assessed to reflect the next phase of the programme once ministerial decisions had been made and funding was officially secured.
- Improvement Plan risk had reduced as a result of the submission of the Improvement Plan to the Secretary of State. The Plan had been approved by the Minister and two commissioners had been appointed.
- The Interim and Future Management of the Council's Leisure Centres had reduced from red to green following an agreement with Sandwell Leisure Trust to continue providing the services in the interim period.



The following was noted in response to members' comments and questions:-

- The Council's period 2 budget monitoring had been reviewed for the 2021/22 financial year and included an estimated budget increase for utilities of 20%. However, due to the current climate with energy markets this uplift was not likely to be sufficient to cover expenses. It was highlighted that this was not a Sandwell specific issue but was a national challenge. It was noted that the inflation rise would be considered as part of the budget planning process for 2023/24 and the potential use of reserves if necessary to allow for flexibility during the current financial year.
- Whilst it was difficult to ascertain the full effect on inflation rises on services and officers were continuing to monitor the situation and its impact on the Borough and its residents.
- The latest data suggested that the Council's expenditure on energy was expected to increase by up to 70% in comparison to the previous financial year.
- The risk relating to the Sandwell Leisure Trust was in respect of the old contract. However, an agreement had been put in place on an interim arrangement, this would be reassessed to identify whether a new risk for the new permanent arrangement was required.
- A national review on Children's Services was conducted by Josh McCallister (Chair of the Independent Review of Children's Social Care). It was advised that the Council would examine and ascertain whether recommendations from the national review had been incorporated in mitigating the current risks within Children's Social Care.
- With regard to the business continuity management risk, damage had occurred to the servers at the Council House which initially resulted in disruption in access to all files across the Council network. Whilst the issue was resolved swiftly, due to the damage, the servers that hosted the Oracle e-Business Suite which hosts the Council's financial system was unusable. Therefore, manual methods of making emergency payments was used in the interim period. It was highlighted that the



Council was looking to upgrade servers to the Oracle cloud system over the next 12 months to prevent issues such as this occurring again in the future.

- As the risk with the business continuity management had increased, the Chair requested that a report on the incident and the mitigation measures implemented as a result be reported to a future meeting of the Committee.
- It was suggested that the current actions and ongoing controls for each risk had timestamps to allow the Committee to monitor the risk register in future.
- The risk in respect of to the compliance with the Data Protection Act 2018, GDPR and Freedom of Information Act 2000 was in relation to the retention of Council documentation. The Cabinet had approved an agreement on retention periods which would hopefully result in a reduction in the overall risk. The Chair informed the Committee that he would determine whether a report on this matter should be brought back to the Committee at a future meeting.
- In relation to the risk associated with the Oracle E-Business, officers were assessing and evaluating tenders for a new implementation partner which would ensure that the required resources were in place. Following the implementation period, the project could progress.

The Chair thanked officers for their attendance.

Resolved:

That, the Committee receive an item at a future meeting regarding the incident relating to the Business Continuity Management Risk Reference (6b 04/18) and the mitigation measures implemented following the incident.



Council Improvement Plan

The Committee received and noted the contents of the Improvement Plan.

In response to the Grant Thornton review, Council approved an Improvement Plan in January 2022 to address all 45 recommendations in the report as well as reporting mechanisms to ensure progress was managed effectively. The Council had received the findings of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Review (January 2022) and LGA Corporate Peer Challenge (March 2022). Following this, the Council received further Statutory Directions from Government which was received in March 2022.

On 7 June 2022, Council approved an Improvement Plan that combined the actions to address not only the Grant Thornton Review, but also the findings of the CIPFA Financial Management Review (January 2022) and the LGA Corporate Peer Challenge (March 2022).

The Improvement Plan provided the organisation with a clear direction for its improvement journey that would enable the continued delivery of the strategic priorities in the Corporate Plan 2021-2025. In addition, the Plan would incorporate measures to address the requirements of the Statutory Direction to strengthen the effectiveness of scrutiny and associated audit functions.

The Value for Money Governance Review identified several specific recommendations relating to audit as follows:

- Key Recommendation 7: Delivering effective Elected Member development training with particular focus on those in key statutory roles, relating to Cabinet, Scrutiny, Standards and Audit functions. In addition, the Member development programme would be reviewed to ensure corporate governance forms part of the training for members with governance roles.
- Improvement Recommendation 14: Inclusion of the Cabinet forward plan on Audit and Risk Assurance Committee and Scrutiny Board agendas to assist with agenda planning.



- Improvement Recommendation I34: Managing the Council's long-term Governance position to focus on its corporate objectives.

Following a review of all the recommendations from the external reviews, key themes were identified to set the focus for the council's improvement journey:

- Organisational Culture
- Corporate Oversight Strategic Direction
- Decision Making
- Procurement and Commercial
- Partnerships and Relationships

Each theme was allocated objectives, milestones, deliverables, and measures of success used to track the Council's progress against expected timescales and achievements.

A detailed delivery plan setting out activity to achieve the deliverables, responsible officer and timescales was allocated to each theme. The delivery plan also set out how specific actions to address recommendations in the various external reviews, thus enabling direct reporting for different audiences as required.

The following was noted in response to members' comments and questions:-

- The Chair stated that a distinct approach to the Improvement Plan had been agreed with the Chair of the Budget and Corporate Scrutiny Management Board to avoid overlap with oversight. Primarily, the Committee would focus on the assurance and risk management of the Plan, whereas the Scrutiny Board would focus on challenging policy and performance.
- The Improvement Plan would regularly be brought before the Committee.
- The Statutory Direction received from Government outlined the requirement for the Council to give due consideration to the options around a four-yearly election cycle.
- A detailed monitoring tool would be reviewed monthly to look at the progress of the Improvement Plan that looked at the actions



and progress of each risk. This would be reported to Cabinet quarterly. This Chair requested that this document be brought before the Committee at a future meeting for review.

- With regard to the governance structure, Improvement Plan Review meeting allowed Chief Officers to monitor the progress against all actions in the Plan on a monthly basis, whilst also considering risks, changes, arising issues and resources pressures.
- The Senior Lead for Service Improvement confirmed that she would produce the governance structure in a visual form and distribute at a future meeting of the Committee.
- Work was being undertaken for the Member Development Plan and was due to be considered by the Ethical Standards and Member Development Committee.
- An online training session on the introduction to internal auditing, counter fraud and risk management had taken place with all Elected Members.
- It was highlighted that it may be useful for Members of the Committee to attend an LGA training course to understand how other local authorities conducted auditing and risk assurance to assist with learning and improvement.

29/22

Improvement Plan Risk Register

The Committee received the Risk Register, which accompanied the Improvement Plan.

The initial risk capture was undertaken by Leadership Team and followed the Corporate format for reporting on risk.

The Strategic Risk Register contained a risk on the Council's Improvement Plan and was currently rated amber.

Within the Improvement Plan Risk Register, there were 12 risks – 3 of which were green, 7 amber and 2 red. The 2 red risks were as follows:



- Investment and Financial Resources – Resource gaps and pressures associated with actions within the Improvement Plan had been identified. On 7th June 2022, Council approved use of Improvement & Capacity Reserve and 2021/22 underspend allocated to the Improvement Plan actions. It was expected that the risk rating would reduce following the recruitment to posts that formed current capacity gaps after the allocation of funding. Resource issues and risks associated with the Improvement Plan were to be reviewed regularly by Leadership Team and register maintained.
- Performance Management Framework (PMF) and Data Quality –Data was collected for the Council’s overall performance management framework and with the Improvement Plan specifically to understand evidence of the progress being made. The implementation of a Performance Management System was under consideration to provide capability for performance management. The Council was analysing methods to turn the evidence of success criteria into a detailed evidence framework which set out which measures were required to be captured and the frequency of review.

The following was noted in response to Members’ comments and questions:-

- In compiling the Improvement Plan, Leadership Team conducted a capture and considered the areas of major risk, as detailed in the Risk Register.
- It was expected that further risks would be added to the Register as the Plan would begin rolling out.
- Each of the risks had been scored according to the standard corporate definition, taking into account the risk of likelihood and severity.

The Chair thanked the Senior Lead for Service Improvement for her attendance.

30/22

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.

31/22 **Work Programme**

The Committee noted the work programme for 2022/23.

Resolved that the following items be added to the Committee's work programme for 2022/23:-

- The Business Continuity Management risk as detailed the Strategic Risk Register
- Updates on the actions and progress of risks with the Improvement Plan

Meeting ended at 6:53pm.

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