

Minutes of Audit and Risk Assurance Committee

Monday, 16 February 2026 at 6.00 pm at Council Chamber - Sandwell Council House, Oldbury

Present: Councillor Preece (Chair)

<p>Councillors: Pall (Vice-Chair) Rahman Singh Trumpeter</p>	<p>Independent Members: Hussain Pattar</p>
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In Attendance: Zoe Thomas (Grant Thornton) and Andrew Smith (Grant Thornton)

Officers: Peter Farrow (Audit Services Manager), Claire Spencer (Service Director- Finance), Mike Jones (Monitoring Officer), Phillip Tromans (Counter Fraud Investigator) Alex Thompson (Executive Director- Finance and Transformation), Rikesh Patel (Financial Accountant – Revenue and Capital) and Rhys Attwell (Interim Democratic Services Officer).

1/26 Apologies for Absence

Apologies for absence were received from Councillors Fitzgerald, Gavan, Giles and Johnston.

2/26 Declarations of Interest

There were no declarations of interest made.

3/26 Minutes

Resolved that the minutes of the meeting held on 20 November 2025 are approved as a correct record.

4/26 Urgent Additional Items of Business

There were no urgent additional items of business.

Internal Audit Review Position Statement: Sandwell Children's Trust – Financial Outturn 2024/25

The report provided the Audit and Risk Assurance Committee with an update on the ongoing internal audit review into Sandwell Children's Trust's 2024/25 financial outturn. The review was initiated after the Trust notified the Council late of a significant worsening in its year-end overspend, including an unexpected £3m increase compared with the Quarter 3 forecast. External auditors had also raised concerns, noting that the Trust ended 2024/25 with a cumulative deficit of £19.7m and highlighted weaknesses in the accuracy and timeliness of the Trust's financial forecasting.

The internal audit review aimed to understand how the late notification arose and to assess the robustness of the Trust's financial controls, forecasting processes and reporting arrangements. Its scope included reviewing the accuracy of outturn estimates, examining when the Trust became aware of the deteriorating position, and evaluating how promptly this was communicated to the Council. It also considered the quality of financial information provided to the Operational Partnership Board and included the examination of documents, minutes and discussions with a range of Trust and Council officers.

Evidence-gathering had involved a series of meetings with board members, senior officers, finance staff and Cabinet Members between 18 and 25 September. The review was temporarily paused between 6 and 28 October due to an unannounced Ofsted visit, after which fieldwork resumed. A first draft report was issued to the Trust on 8 January 2026, followed by further clarification discussions on 30 January. The Trust's management response was scheduled to be finalised and presented to the Committee on 2 April 2026.

The Committee noted the current position with regards to the internal audit review of Sandwell Children's Trust – Financial Outturn for 2024/25.

Final Statement of Accounts 2024/25

The Committee was asked to approve the revised 2024/25 Statement of Accounts and note the external auditor's findings and authorise the required signatories.

The audit was completed ahead of the statutory backstop, though Grant Thornton would issue a disclaimed opinion due to limited assurance over opening balances. There were 16 mainly non-cash adjustments were made, with minimal impact on reserves.

The accounts showed £89.7m net income and strengthened General Fund balances, and they continued to support transparency and good financial governance.

The Letter of Representation confirmed the Council's responsibility for producing accurate 2024/25 financial statements, stating that all relevant information, assumptions and disclosures which had covered estimates, pensions, assets, and legal compliance had been provided to auditors. It also

acknowledged limitations that prevented full audit completion before the national backstop date.

The Updated Audit Findings Report outlined Grant Thornton's intention to issue a disclaimed audit opinion due to unresolved issues with the opening balance and incomplete group audit work for Sandwell Children's Trust.

The auditors noted the progress in the Council's financial reporting but highlighted significant weaknesses, including IT control failures, asset valuation errors, GRNI accrual issues, mapping and coding problems which had been linked to the new financial system, and gaps in grant documentation.

It was noted that several control and governance improvements were required, However, despite this there was no material fraud was identified.

The Final Statement of Accounts 2024/25 reported a net income of £89.7m, growth in General Fund reserves, which was an improved HRA position.

IFRS 16 had been adopted, adding right-of-use assets and lease liabilities. The accounts consolidate Sandwell Children's Trust and outline a robust capital programme. The Council's financial position remained stable overall, though the external auditor's disclaimed opinion still applied for reasons outside the Council's control.

Members were informed that the gap within the reserves was expected to narrow over time, as balances gradually reduce. The process was complex and would effectively require four separate audits. It was difficult to set a definitive timescale, as progress depends on the successful completion of future audit cycles. A broad estimate of 3–5 years was suggested.

The Committee discussed approval of the Letter of Representation. It was noted that the adjustments made provide assurance that the 2024/25 closing balances were accurate. However, uncertainty remained regarding the opening balances, and some gaps were still present. Nevertheless, sufficient audit work had been carried out in relation to expenditure.

The Committee noted that Companies House checks had identified councillors with undeclared interests. It was confirmed that the transactions involved were trivial in value, and that responsibility for declaring such interests lies with the individual councillor.

Resolved:-

- (1) that the Committee received and commented upon the external auditor's Audit Findings Report for the year ended 31 March 2025.
- (2) that the Committee approved the Council's 2024/25 Statement of Accounts, as set out in Appendix 1.
- (3) that, further to Resolution (2) above, the Chair of the Audit and Risk Assurance Committee be authorised to sign the Statement of

Accounts in accordance with the requirements of the Accounts and Audit Regulations 2015.

- (4) that the Executive Director of Finance and Transformation be authorised to make any minor adjustments to the Statement of Accounts prior to the publication of the audited Statement of Accounts.
- (5) that the Committee approved the signing of the letter of representation in relation to the financial statements by the Executive Director of Finance and Transformation and the Chair of the Audit and Risk Assurance Committee, on behalf of the Council, and its submission to the external auditor, Grant Thornton.

7/26

Strategic Risk Register Update

The Committee received an update on the Council's Strategic Risk Register, which outlined the key risks that were facing the organisation as of December 2025 and the actions in place to manage them. The report emphasised that risk management remained central to good governance and supports delivery of the Council's strategic objectives.

There were key changes to the risk profile that were highlighted, which included the introduction of a new red rated risk relating to changes in the Integrated Care Board and implications for Adult Social Care.

It was noted that there were several risks which had improved, with reductions from amber to green across areas such as Children's Social Care, Equalities, Electoral Arrangements, Homelessness and SEND Travel.

The Committee were informed that there were major ongoing amber or red risks which had remained, particularly in Medium Term Financial Strategy (future years), HRA budget monitoring, Cyber Security, Climate Change, and SEND Placement Costs. A full summary of risk scores and mitigating actions was set out in the appended Strategic Risk Register.

The appendix outlined the controls, planned actions and assurance processes for each strategic risk, summarising the progress in key areas including Children's Services, business continuity, information governance, regeneration, workforce, the Local Plan and housing. While improvements were evident, further work was still required to address longer-term financial, operational and regulatory risks.

A query had been raised regarding the Children's Trust, specifically its financial position and the level of Finance capacity available to support wider budget management. In response, it had been confirmed that the Children's Trust operated as a separate entity and was responsible for its own budget monitoring. The Committee had been advised that the Trust was reporting a significant overspend. It had also been noted that there was considerable financial risk within the Housing Revenue Account, and that additional staffing capacity in this area would have been beneficial.

A point had been raised about whether a budget underspend should be regarded as equally concerning to an overspend. In response, it was clarified that an underspend was not viewed in the same way. It had been noted that any implications for service delivery would need to be considered, but where no negative impact had been identified, an underspend had been regarded as acceptable.

The Committee noted the Strategic Risk Register Update.

8/26

Counter Fraud Update

The Committee received an update on the work of the Council's Counter Fraud Unit up to January 2026. The update outlined recent activity across prevention, detection and investigation, including progress on the National Fraud Initiative (NFI), outcomes from successful casework, and key fraud risk areas currently affecting the Council.

Initial results from the latest NFI data-matching exercise identified £188,322 in actual fraud and £776,136 in notional savings, with significant findings arising from council tax, pensions and housing-related datasets. Additional pilot data matches concerning Adult Social Care and Single Person Discount are ongoing.

The Committee noted a continued rise in suspicious Right to Buy applications following national changes to the discount scheme. During 2025, investigations resulted in 11 cancelled applications, £763,250 in prevented discount, 7 properties recovered, and further linked savings in Housing Benefit and Council Tax Reduction fraud.

The report also summarised key findings from the 2025 National Anti-Fraud Network (NAFN) Local Authority Counter Fraud Report, which highlighted emerging risks such as identity fraud, AI-enabled document forgery, and insider threats linked to hybrid working. Seven national recommendations were being assessed for local implementation.

Updates were provided on wider counter-fraud activity, including ongoing tenancy fraud investigations (with Sandwell recovering 35 properties so far this year), Blue Badge enforcement work resulting in successful prosecutions, and the delivery of Fraud Awareness training for staff and elected members. The unit continued to support West Midlands Fire Service and Sandwell Children's Trust through investigative and advisory work.

Finally, the Committee noted the updated fraud risk profile for the Council, which highlighted areas such as tenancy fraud, direct payments, procurement, cyber fraud, money laundering, business rates, and school admissions as key risks. An updated Fraud Risk Assessment, aligned to national practice guidance, would be presented in a future report.

Members asked whether the Council had a firm grip on the issues highlighted in the report. Officers confirmed that they do, noting they were well supported and had a strong team in place, emphasising the importance of continuing to increase proactive fraud work to reduce the need for reactive investigations.

Officers confirmed that there had been no significant increase in fraud linked to the amended Council Tax Reduction Scheme.

Officers also advised that while small scale theft occurred, larger assets were more tightly controlled, though smaller items would inevitably carry some residual risk.

The Committee noted the counter fraud update.

9/26

Internal Audit Update

The Committee received an update on Internal Audit work completed between April 2025 and January 2026, confirming steady progress against the 2025/26 Audit Plan and no direct financial or legal implications arising from the report.

Audit results showed mixed assurance levels across services. Key areas with Limited assurance included Procurement and Contract Compliance, SEND Placement Costs, and Payroll, while others such as Council Tax and the Levelling Up Partnership received Substantial or Reasonable assurance. Several audits remained in progress and would be reported later.

Significant issues were highlighted included outdated procurement documentation, weak audit trails, incomplete contract registers, and inconsistent declarations of interest.

In SEND, the move to online decision making had weakened record keeping and financial oversight. Housing audits identified delays in fire safety and hazard management, though corrective processes were now being implemented.

Of 57 past recommendations reviewed, 21 were fully implemented, 13 partially implemented, and 22 remained outstanding, several linked to Oracle Fusion and procurement controls.

It was noted that Internal Audit continued to support governance activities, fraud investigations, and liaison with external auditors, and provides services to partner organisations.

There were concerns raised by Members that some procurement contracts were still not in place and queried whether this would be rectified. Officers noted that actions were continuing to address the outstanding procurement issues. Work was actively underway, and it was expected that these matters would be fully resolved within the next six months.

Officers noted that they were actively seeking ways to manage workload more effectively. Moving to a panel-based system which were considered a more efficient and robust approach than the previous formal process.

The Committee noted the internal audit update.

10/26

Updated Annual Governance Statement 2024/25

The Committee received the updated Annual Governance Statement (AGS) for 2024/25, noting its purpose to assess the effectiveness of the Council's governance arrangements and to accompany the Statement of Accounts. The update reflected developments since September 2025 and draws on internal audit, external audit, risk management and other assurance sources.

The Council had continued to strengthen governance following recent intervention, with improvements to decision making processes, the Corporate Performance Management Framework, risk management, and procurement oversight.

Internal Audit provided reasonable assurance for 2024/25, and the Committee maintained strong oversight of risk and audit activity.

National "backstop" arrangements resulted in disclaimer opinions for the 2022/23 and 2023/24 accounts due to statutory limitations, not local failings; a full audit of 2024/25 had been expected by February 2026.

The Committee noted significant improvement within Sandwell Children's Trust, which achieved a 'Good' Ofsted rating in October 2025, with strong leadership and improved outcomes for children.

Key governance challenges included embedding the ongoing constitution review, strengthening compliance with regulations, reducing reliance on interim staff, ensuring effective oversight of group companies, and delivering major transformation and housing improvement programmes.

A point had been raised regarding the need to maintain reasonable assurance over the risk management framework. In response, it was confirmed that the work was related to 2024/25, and that the work being carried out during the current municipal year would inform the Annual Governance Statement for 2025/26.

The Committee reviewed and noted the updated AGS for inclusion with the Statement of Accounts.

11/26

Work Programme 2025/ 26

Members noted the Committee Work Programme for the 2025/26 Municipal Year.

Meeting ended at 7.45pm