

Audit and Risk Committee

Minutes - 27 November 2023 at 14:00 hours

**Conducted as a public meeting at Headquarters and digitally via
Microsoft Teams**

Present: Councillor Barrie, Councillor Jalil, Councillor Little, Councillor Spence (Chair), Councillor Ward

Virtually: Avtar Sohal (Grant Thornton), Peter Farrow & John Matthews (Sandwell MBC)

Officers: Simon Barry, Karen Gowreesunker, Sofia Mahmood, Keeren Nijjar, Alex Shapland, Stephen Timmington, Phil Tromans (Sandwell MBC)

57/23 Apologies for Absence

Apologies for absence were received from Councillor Mahmood and Paul Gwynn.

Please note: Councillor Ward substituted on behalf of Councillor Spence who chaired the meeting in the absence of Councillor Mahmood.

58/23 Declarations of Interest

There were no declarations of interest registered.

59/23 Minutes of the Audit and Risk Committee held on 25 September 2023

Resolved:

1. That the minutes of the Audit and Risk Committee held on 25 September 2023 were approved as a correct record.

60/23 **Annual Report of the Audit and Risk Committee 2022/23**

Karen Gowreesunker, Clerk to the Authority, presented the Annual Report of the Audit and Risk Committee.

The purpose of the report was to seek Committee approval of the draft annual report which would then be submitted to the Fire Authority.

Resolved

1. That the draft Annual Report of the Audit and Risk Committee be approved and submitted to the full Fire Authority.

61/23 **Internal Audit Progress Report as of 6 November 2023**

Peter Farrow (Internal Auditor, Sandwell Metropolitan Borough Council) introduced the Internal Audit Progress Report.

The purpose of the report was to ask the Committee to note the issues raised from the work undertaken to date by Internal Audit in the current financial year.

John Matthews (Internal Auditor, Sandwell Metropolitan Borough Council) provided an overview of the report including a summary of the work completed and in progress.

It was noted that the auditable areas 'Fixed Asset Accounting / Asset Planning' and 'Governance' had been completed with both areas demonstrating substantial levels of assurance.

As part of the Governance review, an issue had been raised regarding declaration of interest documents for Officers within the Authority had not been maintained. This matter had been followed up and it was noted that declaration of interest forms had been completed by all Members and the Strategic Enabling Team, the relevant policy had been reviewed, and action was being taken to establish a process through the Oracle system to ensure everyone could consistently record declarations of interest. However, this final action had not yet been completed and although improvements had been made, there remained an issue in ensuring that all relevant staff completed declarations of interest where necessary and that these were being effectively monitored.

It was noted that Internal Audit progress remained on track and that the review of Payroll had commenced since the time of writing this report.

Resolved

1. That the Internal Audit Progress Report be noted.

62/23 **Auditor's Annual Report 2021/22 and 2022/23 and Audit Progress Update 2022/23**

Avtar Sohal, Grant Thornton, presented the report, the purpose of which was to approve the Annual Report 2021/22 and 2022/23, and to note the update on the progress of the 2022/23 external audit.

In response to a question requesting an update on the external audit of the Statement of Accounts, Avtar Sohal advised that there had been no significant findings to date nor material weaknesses. Grant Thornton continued to aim to report formally on the Statement of Accounts early next year.

Resolved

1. That the Annual Report 2021/22 and 2022/23 be approved.
2. That the update on the progress of the 2022/23 external audit be noted.

63/23 **Treasury Management – Mid Year Review Report 2023/24**

Sofia Mahmood, Head of Finance and Procurement (S151), presented the report which included the prudential and treasury indicators.

The Treasury Strategy had been set for the year and approved by Fire Authority. The key areas to note were:

- There are no changes to the Prudential Indicators from that approved in February 2023 as part of the Annual Budget.
- The capital programme forecast position for 2023/24 is £6.177m, reduced from an approved budget of £9.191m due to slippage.

- There is no borrowing budgeted or expected for 2023/24.
- The current level of borrowing is £32m.
- The current level of investment is £36m, with forecast investment income in 2023/24 of £1m.

It was noted that the Authority had received the additional investment income due to higher interest rates.

Resolved

1. That the Treasury Management update including the prudential and treasury indicators be noted.

64/23 **Corporate Risk Update**

Keeren Nijjar, Investment Manager, Portfolio, presented the report which provided summaries of corporate risk covering quarters 1 and quarters 2 2023/24, and the new risk matrix and risk scoring methodology.

The report detailed the overall direction of travel, the increases and decreases in risk scores for the two periods and detailed the risk statement summaries provided by the applicable risk owners.

The report also asked the Committee to approve the removal of the Prevention Corporate Risk 3.2:

‘The Fire Authority is unable to establish effective partnership arrangements and deliver community outcomes, resulting in a significant impact upon the organisation’s financial standing, reputation, and ability to deliver key objectives.’

It was noted that this corporate risk had been established ten to fifteen years ago when there was potential for the Service to have significant liability related to grant funding and the delivery of projects that were externally funded and / or required match funding. At this time Local Area Agreements were in operation and there were significant amounts of regeneration and European funding available that the Service was able to access. This was no longer the case and therefore it was proposed that did not need to be a separate Corporate Risk and that risks associated with effective partnership arrangements were to be incorporated into Corporate Risk 3.1, and managed as a new risk trigger, specifically 3.1.7.

One further item of note was related to Corporate Risk 6.1, Business Continuity and Preparedness, and this was the subject of the following report on the agenda, item 9, Business Continuity – Resilience Contracts.

Resolved

1. That the Corporate Risk Summaries for quarter 1 2023/24 and quarter 2 2023/24 be approved.
2. That the management of Corporate Risk and the addition of a new risk matrix and risk scoring be noted.
3. That the removal of Prevention Corporate Risk 3.2 be removed.

65/23 **Business Continuity – Resilience Contracts**

Simon Barry, Assistant Chief Fire Officer, presented the report on Business Continuity – Resilience Contracts.

The purpose of the report was to outline previous Authority considerations and decisions relating to Corporate Risk 6.1 Business Continuity, in particular in relation to industrial action. The report also provided the Committee with details on the option of Internal Resilience Contracts.

Corporate Risk 6.1 was currently rated at 12 (Impact 4, Likelihood 3) and amber rated under the new 5x5 risk matrix adopted for corporate risk. This was because there was no immediate threat of strike action, but forthcoming pay negotiations and other matters meant industrial action remained likely in the medium term. As a result, although the risk remained rated as amber, as per previously reported at Audit and Risk Committee and full Fire Authority, Officers believed that there was the potential of the risk escalating going forward.

It was proposed for the Fire Authority to consider a proposal for the use of an internal resilience contract scheme. Such contracts could provide the Service and Home Office with assurance as to minimum staffing levels during periods of industrial action and would allow for the Service to plan for a specific number of staff to be available and make appropriate arrangements for resources and staffing ahead of time.

It was noted that it was important for the Committee to note that it wasn't being asked to approve the proposal but to simply for the Committee to approve for Officers to take the proposal to the full Fire Authority for deliberation.

Cllr Barrie advised that he strongly supported the move to internal resilience contracts and noted that this was a topic that had been overlooked for too long.

Members voted via a show of hands whether to approve or otherwise. This indicated all Members of the Committee that were present voted in favour for the proposal to be submitted to Fire Authority.

Resolved

1. That the Corporate Risk 6.1 remaining rated as amber be noted.
2. That the legal and statutory duties of the Authority to respond to emergencies and to maintain robust business continuity arrangements be noted.
3. That the previously considered options for mitigation and the previous recommendations of the Scrutiny Committee be reviewed by Members.
4. That the recommendation for the Fire Authority to consider proposals to implement Internal Resilience Contracts as a means of mitigating risk be approved.

66/23 **Update on Topical, Legal and Regulatory Issues (Verbal Report)**

No topical, legal, or regulatory issues were raised.

67/23 **Audit and Risk Committee Work Plan 2023/24**

Karen Gowreesunker, Clerk to the Authority, presented the Audit and Risk Work Plan for 2023/24 and provided an overview of progress to date.

Avtar Sohal, Grant Thornton, advised in terms of Grant Thornton deliverables, the focus was on the financial statements in February. It was possible that some of the items noted for submission at the March meeting of the Committee may not be deliverable until the June meeting.

68/23 **Exclusion of the public and press**

Resolved

1. That the public and press not be excluded from the meeting as there was no requirement for the meeting to enter a private session.

69/23 **Fraud Awareness Training**

In agreement with Members and Phil Tromans, Sandwell Metropolitan Borough Council, the Fraud Awareness Training would be delivered following the meeting.

For audit trail purposes, as new Members of the Committee, Cllr Little and Cllr Ward received the training.

Meeting Closed at 14.27 pm