

AUDIT COMMITTEE

Monday 18th June, 2018, at 6.00 p.m.

Conference Room, Council House, Walsall

Present

Mr A Green (Chairman and Independent Member)

Councillor Craddock (Vice-Chairman)

Councillor Butler

Councillor Chattha

Councillor J. Fitzpatrick

Councillor Hicken

Councillor Robertson

Councillor Young

In attendance

Senior Finance Manager

Internal Audit Manager

Representative of Mazars

Representative of Ernst & Young (EY)

35/18

Welcome / Apologies

The Chair welcomed all in attendance and asked everyone present to introduce themselves.

No Apologies were received.

36/18

A copy of the minutes of the meeting held on 16th April, 2018, was submitted:-

(see annexed)

Resolved

That the minutes of the meeting held on 16th April, 2018, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

37/18

Declarations of Interest

None submitted.

38/18 Deputations and Petitions

There were no deputations submitted or petitions received.

3918 Local Government (Access to Information) Act, 1985 (as amended)

That, where applicable, the public be excluded from the meeting during consideration of the items set out in the private part of the agenda for the reasons set out therein and Section 100A of the Local Government Act, 1972.

40/18 Notification of any issues of importance for consideration at a future meeting

There were no issues raised under this item.

41/18 Audit Committee role, remit and work programme – 2018/19

A report was submitted:-

(see annexed)

The report outlined the remit of the Audit Committee and the proposed work programme for 2018/19.

The Chair introduced the report and highlighted the salient points contained therein. In doing so, he proposed the following: -

- The Chair referred to reports on the Committee's work programme for 2018/19 for and, in particular, to the items around Treasury Management (TM) and Financial Health Indicators (FHI). He stated that he did not believe it was within the Committee's remit to perform a monitoring role in relation to either of these functions. Other bodies within the Council were charged with performing that duty, such as Scrutiny Panels, Cabinet and / or Council. The Audit Committee was responsible only for seeking assurance that the controls in place for undertaking such functions were adequate or not. In addition, Internal Audit would also be monitoring the function and would report any concerns to Audit Committee should any such concerns arise. In view of this, he sought the Committee's thoughts on whether it was in agreement that these items were necessary to be included on the Committee's work programme. The Committee was content for such items to be removed from the work programme.
- In view of the above, The Chair requested the Head of Finance to note the Committee request and look at revising the work programme

to remove the TM and FHI items from the work programme and submit a revised version to the next meeting.

- In addition, the Chair also requested that, as part of the review of the work programme, the Head of Finance also investigate the necessity of all the other items being on the work programme and remove anything which was not necessary for the Committee to consider. This review could lead to a reduction in the number of meetings required throughout the year and the Head of Finance may need to produce a report to Council to seek approval in such a reduction.
- The Chair had also requested the Clerk to produce an 'action log' of decisions taken by the Committee and that a standard item be placed on all future agenda so that the Committee could monitor all of its decisions and any outstanding actions requiring a follow-up.

In relation to the report itself, Members expressed their concern at the accuracy of the statement at 2.1 of the report (Training and Development). Members did not feel that current training programme was adequate and concern was expressed that new Members had not received any training in relation to Audit as of yet. Members, therefore, instructed Officers to draw up an appropriate schedule of training on all Audit related matters, including risk and submit it to the next meeting for approval. In addition, the Committee requested that a training session be established at 5.00pm prior to the start of the July meeting.

Resolved that: -

1. the remit of the Audit Committee be noted.
2. the draft work programme for 2018/19 be approved.
3. the Head of Finance, in consultation with the Chair, be instructed to review the Committee's work programme in light of the above comments, revise as necessary and report back to next meeting.
4. that a training programme for Committee Members, taking into account the above views expressed by Members, be brought back to the next Committee and that a training session be established at 5.00pm prior to the next meeting of the Committee on 24th July.

42/18

Treasury Management Annual Report 2017/18

A report was submitted:-

(see annexed)

The Senior Finance Manager presented the report and highlighted the salient points contained therein.

The report set out Walsall Council's treasury management annual report for 2017/18 as required by the CIPFA Code of Practice, as attached at Appendix A to the report.

Members discussed the report and the Chair advised that he was not happy with the word 'endorse' in the recommendation as he did not feel it was within the Committee's remit to do so. In view of this he asked the Committee to note the report.

Resolved that the treasury management annual report for 2017/18, as set out at Appendix A to the report, be noted.

43/18 **Financial Health Indicators 2017/18**

A report was submitted:-

(see annexed)

The Senior Finance Manager presented the report and highlighted the salient points contained therein.

The report detailed the financial health indicators for the year ending 31st March, 2018, as shown at Appendix 1 to the report, including the pre-audit year end outturn position for both revenue and capital.

In relation to the Council tax collection deficit, the Chair sought assurance from the Head of Internal Audit that Audit monitored the outstanding debt collection. The Head of Internal Audit confirmed that this was an area which was monitored by Audit. The Chair asked Internal Audit to report back to the Committee when this Audit had been completed

Resolved that the financial health indicators be noted.

44/18 **Internal Audit Report for the Year Ending 31 March 2018**

A report was submitted:-

(see annexed)

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

The report updated the Committee on Internal Audit's progress against delivering the Internal Audit plan for 2017/18 as at 31st March, 2018, and performance against the contracts key performance indicators.

Arising from deliberations on this report, Councillor Chatta sought assurance in relation to the Council's implementation of the various requirements brought about by the introduction of the General Data Protection Regulations (GDPR). Officers advised that work was still currently being undertaken to help determine how the Council had performed against the requirements of the implementation of GDPR. The Chair asked when a report on

compliance against GDPR would be ready. Officers advised that a report on this matter should be ready for the September meeting.

Resolved that: -

1. the contents of the report, and action being taken to address the key performance indicator performance, be noted.
2. A report on the Council's performance in implementing the requirements of GDPR be brought back to the September meeting of the Committee.

45/18

Internal Audit Annual Report and Opinion 2017/18

A report was submitted:-

(see annexed)

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

The report introduced Internal Audit's Annual Report and Opinion on the Council's Internal Control Environment 2017/18 to the Committee.

Resolved that the report be noted.

46/18

Understanding how the Audit Committee gains Assurance from Management

A report was submitted:-

(see annexed)

The Senior Finance Manager presented the report and highlighted the salient points contained therein.

The report explained that Auditing arrangements required Ernst Young (EY) (the Council's external auditors) to formally update their understanding of management's processes and arrangements annually. As part of their work, Ernst Young were required to obtain an understanding of these, including in relation to: -

- The risk that the financial statements may be materially misstated,
- Fraud, including identifying and responding to the risks of fraud,
- Compliance with laws and regulations,
- Internal control and breaches thereof,
- Adopting a going concern basis.

EY had written formally to the Audit Committee, the Monitoring Officer (MO), the Chief Finance Officer (CFO) on behalf of Management and the Council's Internal Auditors (Mazars). Responses had been returned to EY and Audit Committee were asked to receive, consider, amend as necessary and approve the response which was appended to the report. Additionally, EY had written to the Council's property valuer in respect of some technical valuation questions.

Members considered the letter, as set out at Appendix 1, and discussed the wording around training as set out page four of the letter. Members were not content with the current wording and were happy to delegate the Chair to amend the wording in consultation with the Head of Finance.

Resolved that the draft response to the letter addressed to the Audit Committee as set out in Appendix 1 to the report, be agreed for return to EY, subject to the wording around training being provided in 'key areas' on page 4 of Appendix 1 [paragraph 5], being delegated to the Chair to agree more appropriate wording in consultation with Head of Finance.

47/18

Annual Review of Effectiveness of the System Internal Control and the Draft Annual Governance Statement 2017/18

A report was submitted:-

(see annexed)

The Senior Finance Manager presented the report and highlighted the salient points contained therein.

The report contained the findings and recommendations of the review of the effectiveness of the council's system of internal control, for consideration by the Committee.

This review supports the production of the annual Governance statement (AGS) for 2017/18 and required Audit Committee approval prior to publication alongside the pre-audit annual Statement of Accounts (SoA) in June, 2018.

CIPFA advised that it was good practice for Audit Committee to receive the AGS before or during the audit of the accounts to enable the Committee to raise any points that they felt may need to be addressed prior to formal approval of the post-audit Statement of Accounts in July.

The Annual Governance Statement (AGS) was drafted, assurances had been evaluated and supporting evidence gathered. The outcome of this process was a conclusion that the effectiveness of the system of internal control was adequate overall.

Councillor Robertson asked for some more data in relation to data breaches being 'down' and whether this was viewed as good or bad. The Senior

Finance Manager agreed to send round a response via the Clerk after their meeting.

Councillor Hicken referred to an assurance from the previous Chief Executive about 'IT disaster recovery' and 'investment to protect' arising from the national ransom-ware attack. He queried why some of the recommendations were not addressed at that point and if it was the expiry of application / software licenses which had driven this rather than the inherent requirement. The Senior Finance Manager explained that, to the best of his knowledge, it was the ICT strategy which had driven the change, but he agreed to investigate and advise Members in due course.

In view of the above, the Chair asked for an update to the July meeting of the Audit Committee on the systems of control around the above issue.

In relation to the AGS, Councillor Craddock, in referring to the flow chart on page 30, called for some training on this prior to the next meeting he felt it was rather complex. He also stated that the 7 points on page 29 were a duplication and could be removed.

Resolved that: -

1. the report be noted.
2. a report on the systems of control around IT disaster recovery be brought back to the July meeting of the Committee for consideration.
3. the training need identified above be addressed at the next training session before the start of the next Committee meeting on 24th July.

48/18

Chair's Annual Report of the Audit Committee to Council

A report was submitted:-

(see annexed)

The Senior Finance Manager presented the report and highlighted the salient points contained therein.

The report presented the Committee with the proposed Annual Report 2017/18 of the Audit Committee and sought approval for the Vice-Chair of Audit Committee during 2017/18 to present this report to Council.

Resolved that the proposed Annual Report of the Audit Committee be approved and presented by Councillor Robertson to the next meeting of the Council.

49/18

Internal Audit Progress Report 2018/19

A report was submitted:-

(see annexed)

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

The report updated the Audit Committee on Internal Audit's progress against the 2018/19 audit plan, including an update on Risk Management.

The Chair referred to page 24 of the report, item 3, and requested that risk be included as part of the Committee's training programme.

Resolved that the report be noted.

50/18 **The Committee to decide if it wishes to meet with either the Head on Internal Audit and / or the Council's External Auditors in private once the meeting has closed.**

The Committee decided that it did not wish to meet with the Head of Internal Audit and / or the Council's External Auditors in the absence of management after the meeting had concluded.

51/18 **Private Session**

Exclusion of Public

Resolved

That, during consideration of the remaining items on the agenda, the Committee considers that the items for consideration are exempt information for the reasons set out therein and Section 100A of the Local Government Act, 1972, and accordingly resolves to consider the items in private.

52/17 **Summary of Priority 1 Recommendations**

A report was submitted:-

(see annexed)

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

Resolved that: -

1. the contents of the report be noted.

2. updates on the Domiciliary Care and Procurement items be brought back to the Committee for consideration as soon as the follow-up audits had been completed.

(Exempt information by virtue of Paragraph 3 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

Termination of Meeting

The meeting terminated at 7.20 p.m.

Chair:

Date: