

## **AUDIT COMMITTEE**

**Monday, 23<sup>rd</sup> June, 2008 at 6.00 p.m.**

**Conference Room at the Council House, Walsall**

### **Present**

Councillor Turner (Chairman)  
Councillor C. Bott  
Councillor Chambers  
Councillor Martin  
Councillor Robertson  
Councillor Rochelle  
Councillor D. Shires

494/08 **Apology**

An apology for non-attendance was submitted on behalf of Councillor Clarke.

495/08 **Changes in Membership**

Councillor Turner referred to the changes in membership on the Committee. He thanked Councillors Khan and Cook for their service to the Committee and welcomed Councillors Chambers and D. Shires back to the Committee.

496/08 **Minutes**

### **Resolved**

That the minutes of the meeting held on 14<sup>th</sup> April, 2008, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

497/08 **Declarations of Interest**

There were no declarations of interest.

498/08 **Deputations and Petitions**

No deputations were received or petitions submitted.

499/08 **Local Government (Access to Information) Act, 1985 (as amended)**

**Resolved**

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

**Non-Executive Functions**

500/08 **Annual Audit and Inspection Letter**

The report of the Audit Commission was submitted:-

(see annexed)

Gill Edwards (Audit Commission) enlarged upon the report and indicated that it was a summary of the Audit Commission's assessment of the Council in 2006/07. She referred to the key messages on page 4 of the report and drew attention to the unqualified opinion given on the annual accounts and the arrangements for value for money. She added that a score of 3 out of 4 had again been given for use of resources. However, this was under the "harder test" framework, therefore, showed continuous improvement.

Gill stated that this was the last annual letter before the change in Auditor and thanked the Council for the help given to staff during work with the Authority.

Councillor Robertson referred to value for money on page 15 of the report. James Walsh replied that unit costs were high in adult care but comparing like with like was difficult. Much had been done to improve the quality of service, however.

Councillor Robertson also referred to Paragraph 47 on page 14 regarding improvement areas identified to achieve best practice. Gill replied that the Council should use the annual report to demonstrate how its financial plans and strategies had contributed to the achievement of corporate objectives.

Councillor Robertson referred to the need for a risk register for partners. Vicky Buckley replied that this was being developed. He referred to Paragraph 50 of the report and to the reference to a key financial system being assessed as poor. Vicky replied that this was a reference to the payroll system which had since been reported as having significant assurance and, therefore, was no longer a significant control weakness.

Councillor Chambers referred to Paragraph 79 of page 21 of the report and expressed concern that difficulties had been experienced with the claim for Sure Start grant funded services again. Councillor Turner replied that six months ago, a report had explained improvements put in place by Sure Start. He was sure that improvements would continue.

Councillor Mrs. Shires referred to Paragraph 55 of the report regarding increasing bus use in the West Midlands. She stated that in her Ward, bus routes had been taken off to key places such as hospitals. She added that if people were to be encouraged out of their cars, then more services rather than less needed to be provided. Councillor Turner referred to Paragraph 57 which indicated that Centro/WMPTA were compiling an Action Plan to respond to these concerns.

Councillor Mrs. Shires referred to the proposal to introduce polyclinics and referred to the difficulty patients would have in accessing them without adequate bus provision. Councillor Turner suggested that bus stops should be provided within surgery car parks to enable the elderly and infirm to get as close as possible to surgeries for their convenience. He added that he would like to see the Action Plan once it had been compiled.

Vicky Buckley stated she would follow up on the status of the Action Plan and which Scrutiny Panel was dealing with this issue. and would pass comments of the Audit Committee to that Panel for their consideration.

Councillor Robertson reported that Centro had been invited to attend Local Neighbourhood Partnerships and following representations, services had been altered.

Councillor Turner referred to the CPA score card on pages 6 and 7 of the report and referred to the fact that Social Care (Adults), Housing and Culture had all scored 2 out of 4. He asked if officers could report back on this to a future meeting. Vicky Buckley advised that this was an action recommended in the annual governance statement for those governance actions where the Audit Committee had a role in reviewing.

**Resolved**

- (1) That the report be noted;
- (2) That a report on the low scores by Social Care (Adults), Housing and Culture in the CPA be referred to a future meeting of the Committee.

501/08 **Review of Internal Audit**

The report of the Audit Commission was submitted:-

(see annexed)

Gill Edwards enlarged upon the report for the benefit of the Committee. She reported that Walsall's Internal Audit Service met current CIPFA standards. In referring to the Internal Audit Charter, Gill stated that it addressed many of the issues raised during the audit. Referring to the Action Plan at Appendix 1, Gill drew attention to recommendation 5 which had not been agreed. David Blacker explained that this matter was being dealt with at corporate level now and Internal Audit were represented on the Corporate Working Group and would, therefore, have an input.

After further discussion it was,

**Resolved**

That the report be noted.

502/08 **The Roles and Responsibilities of the Audit Committee**

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report, including the role of the Committee and the revised work items now on the programme and requested the Committee to support the Work Programme contained in Appendix 1 to the report.

**Resolved**

- (1) That the report be noted;
- (2) That the Work Plan set out in Appendix 1 to the report be approved.

503/08 **Internal Audit Activity for the Year Ending 31<sup>st</sup> March, 2008**

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report and in referring to the performance indicators at the table on page 2, drew Members attention to the satisfactory levels in the Audit Plan achievement (96.9%) and the productivity rate (69.2%). He indicated that at the year end, the level of agreed actions implemented by directorate managers was 78% against a target of 95%. David requested Members to select two reports from Appendix 4 for detailed scrutiny for the next meeting.

Councillor Turner suggested that IT Governance Arrangements and Advanced Contracts (Midlands) should be considered and it was,

**Resolved**

That the Committee:-

- (1) Notes that in 2007/8 Internal Audit had delivered on all of its performance targets, maintaining a high level of overall performance for the year;
- (2) Selects the following audit reports for detailed scrutiny:-

IT Governance Arrangements

Advanced Contracts (Midlands)

504/08 **Accounting Policies 2007/08**

A report was submitted:-

(see annexed)

Dan Mortiboys, Corporate Finance Manager, made a PowerPoint presentation with the aid of slides, a copy of which was handed to Members present at the meeting:-

(see annexed)

He added that accounting policies had been dealt with as part of the statement of accounts in the past but would be dealt with separately in future for greater transparency.

James Walsh stated that the new policies would bring Local Authority accounts in line with private sector accounting.

After further discussion it was,

**Resolved**

That the Committee:-

- (1) Notes the presentation;
- (2) Authorises the use of the attached accounting policies for the financial year 2007/08;
- (3) Notes the changes in accounting standards.

505/08 **Annual Report of the Chief Internal Auditor on the overall adequacies of the internal control environment**

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report and indicated that the CIPFA Code of Practice required production of an annual report providing an opinion on the adequacies of the internal control environment. He stated that it is a management responsibility to develop and maintain the internal control environment and audit's responsibility to form an independent and objective opinion on the adequacies of the internal control environment. In referring to page 3, he stated that an overall satisfactory level of assurance could be given based on all of the audit work undertaken for the year.

In referring to the 119 reviews undertaken in total, most received a full or significant opinion rating. Weaknesses had been identified in a number of establishment, contract and computer reviews. These were shown on Appendix C and Action Plans had been agreed with managers.

David referred to their advice and consultancy work and also their fraud and irregularity inquiries. No items were material in terms of the AGS.

Councillor Turner stated that the Appendices showed the problems arising within contracts and ICT which had been highlighted in previous reports to the Committee. David replied that a number of reviews had been carried out within ICT and more were planned for 2008/09. In responding to a question in relation to the e-mail and internet policy, he advised that this had been reviewed last year and was presently the subject of further review.

After further discussion it was,

**Resolved**

That the report be noted.

506/08 **Statement of Accounts 2007/08 - Annual Governance Statement and Review of Effectiveness**

A report was submitted:-

(see annexed)

James Walsh made a PowerPoint presentation, copies of the slides used were handed to Members present at the meeting:-

(see annexed)

James Walsh enlarged upon the report and drew Members' attention to Appendix 3b, 5c and 6. He reminded the meeting that the Annual Governance Statement (AGS) replaced the Statement of Internal Control (SIC) for the 2007/08 accounts.

Councillor Turner suggested that rather than digest the statement in one go, it should be split into sections and dealt with in that way. Vicky indicated that the Work Programme would lend itself to this way of working and by December, all the work would have been completed to enable the Committee to have an informed opinion by the year end for the 2008/09 statement and review.

Councillor Martin referred to Paragraph 18 on page 21 of the report regarding Use of Resources 2007 where two areas of weakness had been identified. Vicky reported that these areas of weakness had now been dealt with and, therefore, removed.

Councillor Turner referred to the weaknesses highlighted in Grants and Payrolls and to the improvements which had been carried out. Vicky stated that any significant weaknesses would be brought back to the Committee for review.

Councillor Turner referred to the recommendations relating to the Audit Committee, including the self-assessment. Vicky advised that these had been planned in the 2008/09 work programme for the Committee.

Councillor Robertson concurred with Councillor Turner that breaking the matters down into smaller units would make it easier to understand. He added it was also important to make sure improvements continued.

David referred to the implementation of recommendations and commented that whilst a 90% completion rate was good, it should really be 100%.

Councillor Turner commented that managers might not always be able to implement all recommendations because of a lack of resources. Vicky agreed that lack of resources could be an issue but a manager should not agree to implement a recommendation if it could not be achieved. In addition, managers should consider the existing controls and their adequacy and the risks involved in not agreeing to an action prior to making that decision. All agreed recommendations should be implemented and those rated 3 should be implemented as quickly as possible.

James reminded the Committee of its power to influence agreed actions and ensure they were carried out. He added that this was part of the accountability process and managers must carry out what they had agreed to do.

Councillor Mrs. Shires commented that when she was last a Member of the Audit Committee, she recalled that it had been agreed that managers who did not implement agreed recommendations would be brought before the Committee to explain their lack of action. Councillor Turner reminded the meeting that significant steps had been put in place, including the calling of managers before the Committee if agreed recommendations were not implemented.

Councillor Robertson suggested that the call-in procedure should be automatic unless the manager could give a good reason why agreed recommendations had not been implemented.

David Blacker agreed to investigate strengthening the call-in procedure.

Councillor Turner suggested that the procedure should be strengthened so that triggers occurred at various points in the process.

Vicky and Dave agreed to investigate this suggestion and report back.

Councillor Turner asked if there were any other sanctions the Committee could impose. James reported that if the situation had gone on for a number of years, it was unacceptable that it should continue. He had spoken to the Chief Executive who supported the procedure to obtain 100% implementation of agreed recommendations. He added that bringing managers before Committee was a particularly daunting experience and would encourage them to implement agreed recommendations in full.

After further discussion it was,

**Resolved**

That the Committee:-

- (1) Approves the findings and recommendations arising from the annual governance effectiveness review, including the review of the systems of internal audit (Appendices 1, 2, 3a and 3b relate) and internal control (Appendices 4, 5a, 5b and 5c relate);
- (2) Approves the Annual Governance Statement as set out in Appendix 6 to the report now submitted;
- (3) Requests officers to report back to a future meeting on the process to be applied should managers not implement agreed audit actions.

507/08 **Private Session**

**Exclusion of Public**

**Resolved**

That, during consideration of the remaining item on the agenda, the Committee considers that the item for consideration is exempt information by virtue of the appropriate Paragraphs of Part 1 of Schedule 12A of the Local Government Act, 1972, as amended, and accordingly resolves to consider that item in private session.

508/08 **Internal Audit Activity for the Year Ending 31<sup>st</sup> March, 2008**

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report and stated that all unplanned/irregularities were investigated. 951 days had been allocated for this but only 646 had been used in 2007/08.

Councillor Turner asked how this had impacted on the service. David replied that it had not created any problems.

Councillor Mrs. Shires asked if staffing levels were complete. David replied that currently he had 1½ vacancies.

Councillor Rochelle referred to the impact of the job evaluation exercise. Vicky replied that it had been included on the risk register and was being managed accordingly.

**Resolved**

That the contents of the report and Appendix be noted.

(Exempt information under Paragraphs 1, 2 and 7 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

**Termination of meeting**

There being no further business, the meeting terminated at 8.18 p.m.

Chairman: .....

Date: .....