

AUDIT COMMITTEE

Monday, 10th November, 2014 at 6.00 p.m.

Conference Room, Council House, Walsall

Present

Mr F Bell (Chairman and Independent Member)
Councillor Illmann-Walker (Vice-Chairman)
Councillor Barker
Councillor Chambers
Councillor Craddock
Councillor Flower
Councillor Hughes
Councillor Robertson

Mr Green (Independent Member)

In attendance

Chief Finance Officer
Head of Internal Audit
Treasury Financial Administration and Systems Manager
Representative from Grant Thornton

1220/14

Apologies

An apology was received on behalf of Mrs Hepburn (Independent Member).

1221/14

Minutes

The minutes of the meetings held on 1st September and 24th September, 2014, were submitted:-

(see annexed)

Resolved that: -

1. the minutes of the meeting held on 1st September, 2014, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record;

2. the minutes of the meeting held on 24th September, 2014, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record, subject to Mr Green being added to the list of apologies.

1222/14 **Declarations of Interest**

There were no declarations of interest.

1223/14 **Deputations and Petitions**

There were no deputations submitted or petitions received.

1224/14 **Local Government (Access to Information) Act, 1985 (as amended)**

Resolved

That 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.

1225/14 **Notification of any issues of importance for consideration at a future meeting**

There were no issues raised.

1226/14 **Annual Review of the Treasury Management Policies and mid-year position statement 2014/15**

A report was submitted:-

(see annexed)

The Chief Finance Officer introduced the report and the Treasury Financial Administration and Systems Manager presented the report and highlighted the salient points contained therein.

In particular, arising from discussions on this item, Officers responded to a series of questions from Members in relation to: -

- How the minimum revenue position would vary taking into account potential future financial pressures;
- How this position was calculated;

- If the Council held Contract Registers, if they were reviewed on a regular basis to ensure that Value for Money was achieved and who was responsible for maintaining the Registers.
- What mechanism was in place to ensure Council assets are likely to last the terms of the contract and whether each individual Directorate was responsible for handling re-procurement.
- Assurance on using 'challenger banks' and the process / due diligence carried out when assessing the suitability and associated risk of utilising such banks.
- Why borrowing had increased when cash was in the bank.
- Whether the cash flow timing process was adequate or not.
- The relationship between the Prudential Indicators on page 19 of the report and how an increase in one affected the others, specifically in relation to Prl 3 – 6. (A Briefing Note for all Members was requested on this particular matter).
- The broadness of the ranges indicated on page 21 of the report for the Local Indicators. (The Chief Finance Officer agreed to look into this matter and feedback to Members).

The Head of Internal Audit advised that her section undertook a substantial amount of work around this issue. In view of this, the Committee could take some assurance in view of the fact her Team conducted Audits on this area every year via a number of methods including random selection and issues highlighted under the Whistleblowing policy, to name a few.

In addition, the External Auditor gave an assurance that they would be looking at this area as part of their work.

A Member advised that over 700 contracts would be up for renewal over next few years and the Cabinet would not reduce staff in this area to help ensure that Best Value was still achieved and also to ensure that the Council remained safe.

In relation to the question around cash flow timing, the Head of Internal Audit advised that her section looked at Treasury Management every year and they had not seen anything critical in relation to cash flow timing, thus it had been given a significant assurance. However, in light of comments made, she agreed to double check the matter and feedback to Members. In addition, The Chief Finance Officer advised that the matter was regularly reviewed by the Treasury Management Panel.

An Independent Member commented that the timing of the training would have been better if it had been scheduled before this meeting instead of afterwards.

Resolved that: -

1. the Treasury Management Policies (Appendix A) be approved and recommended to Council;

2. the mid-year position statement for treasury management activities 2014/15, including prudential indicators and local indicators (Appendix B), be noted and forwarded to Council;
3. the planned Treasury Management Training planned for Members prior to Council on 17th November, 2014, (Appendix C) be noted;
4. the Chief Finance Officer produces a Briefing note for all Members on the relationship between the Prudential Indicators on page 19 and how an increase in one affected the others, specifically in relation to Prl 3 – 6.
5. the Chief Finance Officer considers the broadness of the ranges indicated on page 21 for the Local Indicators and provides feedback to all Members.

1227/14 Financial Health Indicators 2014/15

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein.

In doing so, he advised that there was nothing of particular significance to draw the Committee's attention to in the report. He had, however, taken on board comments made at the previous meeting and, as a result, creditors would now be paid on the basis of the contract terms and conditions. This indicator would begin to show an increase in the length of time it had taken to pay, which should not be interpreted as a dip in performance.

Resolved that the financial health indicators be noted.

1228/14 Annual Audit Letter 2013/14

A report was submitted:-

(see annexed)

The Chief Finance Officer introduced the report and advised that the recommendations within the External Auditor's report had been addressed. The representative of Grant Thornton presented the report and highlighted the salient points contained therein.

A Member referred to the fact that it had been a year since the External Auditors had made a recommendation to the Council around governance and asked for an update on how the Council had progressed.

The representative from Grant Thornton gave a brief overview of where the Council was in relation to this matter and advised that their report on this issue would be presented at the next meeting of the Committee.

A Member wished to extend the Committee's thanks to the Internal Audit Team in light of the unqualified opinions received.

Resolved that the external Annual Audit Letter be received.

1229/14 **Internal Audit Update Report**

A report was submitted:-

(see annexed)

The Head of Internal Audit presented the report and highlighted the salient points contained therein. She advised that the Audit section was currently undergoing a restructure and it was proposed that the number of Auditors would be reducing from 11.5 Auditors down to 8 Auditors. Though times ahead may be difficult, she would always look at different ways of working to achieve efficiencies.

Referring to the 'reports issued within 6 week Audit start date' as found in the table on page 5 of the report, a Member suggested that it might prove more useful if this measure was split into 'planned' and 'unplanned' work to give the Committee a more realistic measure on the Team's performance.

It was also suggested that the Committee could be notified, in future reports, in relation to which service areas / teams / departments / managers were causing problems / delays. This would enable the Chair to write to the Chief Executive highlighting the Committee's concerns. In suggesting this, a Member referred to a former Chair of the Committee who used to undertake this action in such circumstances.

An Independent Member, in referring to 3.6 of the report, sought clarification that the Audit Committee was included in the discussions in which audits were prioritised. The Head of Internal Audit clarified that the Audit Committee was, indeed, included as one of the key stakeholders.

The Chief Finance Officer also assured the Committee that the Audit Section would be staffed accordingly, as it was his duty to ensure that the Team was sufficiently staffed in order to undertake the work included within the Audit Plan.

Resolved that the report be noted.

1230/14 **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 those items in private.

1231/14 **Internal Audit Update Report**

A report was submitted:-

(see annexed)

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

Members questioned the Head of Internal Audit and sought assurances on a number of Audits as contained within the report.

In particular, a Member request a Briefing Note for all Members on the Committee, as well as all Members on Employment Appeals Committee 'B', in relation to the 'Trade Refuse Collectors' Audit.

The Head of Internal Audit advised that there could potentially be some good news to report in the near future. The Council would find out in the near future if a bid submitted to the DCLG (Department for Communities and Local Government) in relation to counter fraud would be approved. She would keep Members informed of the outcome.

Resolved that the report be noted.

(Exempt information under Paragraphs 1, 2, 3 and 7 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

1232/14 **No or Limited Assurance Internal Audit Reports**

A report was submitted:-

(see annexed)

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

Further to Minute No. 1205/14, it was agreed that Councillor Craddock would be added to the 'Telecare' Audit, as set out in that Minute.

In addition Councillor Hughes was volunteered, and duly accepted, to be involved in the 'Lindens Primary School' Audit.

Resolved that: -

1. the report be noted;
2. Councillor Hughes be included in the Member Involvement on the Lindens Primary School Audit.

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

Termination of meeting

The meeting terminated at 7.40p.m.

Chair:

Date: