

## **AUDIT COMMITTEE**

**Wednesday 16<sup>th</sup> July, 2014 at 6.00 p.m.**

**Conference Room, Council House, Walsall**

### **Present**

Councillor Hughes (Chairman)  
Councillor Illmann-Walker (Vice-Chairman)  
Councillor Barker  
Councillor Chambers  
Councillor Craddock  
Councillor Flower  
Councillor Robertson

Mr F Bell (Independent Member)  
Mr A Green (Independent Member)  
Mrs P Hepburn (Independent Member)

### **In attendance**

Chief Finance Officer  
Head of Internal Audit  
Audit Manager  
Interim Director of Social Care and Inclusion  
Head of Community Care (Partnerships)  
Assistant Director – Children’s Services  
Assistant Director – Early Help  
Interim Head of Property Services  
Representative from Grant Thornton

1175/14

### **Welcome**

The Chair welcomed all to the first meeting of the Committee in the new Municipal Year, particularly the two new Independent Members, Mr Bell and Mrs Hepburn.

Councillor Illmann-Walker, in his role of Chair of the Interview Panel, congratulated both the two new Independent Members on their appointment to the Committee.

1176/14      **Apologies**

None received.

1177/14      **Minutes**

The Minutes of the meeting held on 7<sup>th</sup> April, 2014, were submitted.

(see annexed)

Further to Minute No. 1170/14, the Vice-Chair enquired whether the number of computers still running Windows XP, as reported by the Head of Business Change at the last meeting, had been verified. He stated that he had seen a large number of Council office computers and library computers still running XP.

In addition, he advised that he had also requested confirmation on whether or not the Council would be eligible to receive any of the £5 million given to the Cabinet Office for the continued support of XP for a further 12 months.

The Head of Internal Audit advised that she would request a briefing for the Vice-Chair on these matters.

**Resolved** that the Minutes of the meeting held on 7<sup>th</sup> April, 2014, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as correct a record.

1178/14      **Declarations of Interest**

Councillor Robertson declared an interest in Item 16 (Internal Audit Unplanned Summary Reports for the Year Ending 31<sup>st</sup> March, 2014) in relation to his involvement with New Deal.

Mr Bell declared an interest in Item 16 (Internal Audit Unplanned Summary Reports for the Year Ending 31<sup>st</sup> March, 2014) in relation to his involvement with Walsall Adult and Community College.

1179/14      **Deputations and Petitions**

There were no deputations submitted or petitions received.

1180/14 **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.

1181/14 **Notification of any issues of importance for consideration at a future meeting**

The Head of Internal Audit advised that the Department for Communities and Local Government had recently announced that they were making available a counter fraud fund of up to £16 million to Local Authorities for the 2 year period 2014/15 to 2015/16. Local Authorities were invited to bid for funds. The Head of Internal Audit advised that she would be submitting a bid on behalf of the Authority and also in partnership with the Midlands Audit Group which Walsall internal audit now hosted. Progress would be reported back at a future meeting.

1182/14 **The Proposed Remit of the Audit Committee and Draft Work Plan 2014/15**

A report was submitted and a revised remit was tabled:-

(see annexed)

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

Arising from discussions on this item, Members requested the following additions / amendments to the Committee's proposed terms of reference: -

- Calling officers and/or Chairs of Committees to assist the Committee in its work;
- That No. 15 from the old terms of reference be maintained in the new proposed terms.

An independent Member questioned whether the ability of the Committee to meet with the Head of Internal Audit / representatives from Grant Thornton after Committee meetings had concluded, should also be added to the terms of reference. The CFO clarified that this mechanism was built into the agenda process and was not required to be in the terms of reference.

A member questioned whether any updates on the Whistleblowing Procedure would be reported at a future Committee meeting. The Head of Internal Audit advised that the Whistleblowing Procedure had been considered and approved by the Standards Committee. However, she agreed to bring an update report on the Procedure to a future meeting.

The Chair referred to training and development and stated that he would welcome further training throughout the year on various aspects relating to the Audit Committee's work.

**Resolved** that: -

1. the proposed revisions to the remit of the Audit Committee be approved, as per the tabled version now submitted, subject to the amendments identified above, and in doing so recommend to Council that the Constitution be amended accordingly to reflect the proposed changes;
2. the draft work programme be approved;
3. an update report on the Council's whistle blowing arrangements be brought to a future meeting.

1183/14      **Independent Members – Travel and Subsistence Allowances**

A report was submitted:-

(see annexed)

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

**Resolved** that the contents of the report be noted.

1184/14      **Annual Report of the Audit Committee**

A report was submitted:-

(see annexed)

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

Arising from discussions on this item, the Chair requested that the word 'annual' be removed from second paragraph of the introduction as set out on page 4.

An Independent Member highlighted a Municipal Year which was incorrect on page 6 of the document.

A Member suggested that a 'glossary of terms' would be useful, especially for members of the public who may not be familiar with some of the terms utilised within the report.

**Resolved** that, subject to the issues identified above being addressed, the proposed annual report of the Audit Committee 2013/14 be approved and presented by the Chair of the Audit Committee to the next meeting of the Council.

#### 1185/14 **Medium Term Financial Strategy**

A report was submitted:-

(see annexed)

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

Members asked numerous questions and sought clarification on a number of matters. In particular, arising from discussions on this item, a Member referred to the table on page 21 of the report and questioned whether or not the frequency of the submission of the Corporate Risk Register to Corporate Management Team (CMT) was sufficient, or whether a quarterly submission would be more appropriate. The Chief Finance Officer agreed to look into that matter and report back.

In addition, Members sought clarification on how risks would be managed should anything happen to the CFO. The CFO advised that he had a deputy, the Head of Finance, who would deputise for him in his absence, or should he be unavailable for any length of time.

An Independent Member stated that he felt the document would be more meaningful if it referred to specific risks as well as what contingencies were in place should those risks occur. The Chair asked if it might be worthwhile the Committee viewing some of the lower level risk registers to see if such documents could allay some of the Committee's concerns. The CFO stated that he would take on board the Committee's feedback and think about how he might address some of the issues which had been raised.

A Member, in referring to the PARIS system under the Capital Programme on page 33, questioned whether this investment referred to the PARIS system or a replacement system. The CFO clarified that it was for a replacement system.

**Resolved** that: -

1. the medium term financial strategy be noted; and that
2. its contribution to the effectiveness of the internal control environment and the management of risk and governance also be noted;
3. the Chief Finance Officer address the issues highlighted above.

1186/14      **Financial Health Indicators 2013/14**

A report was submitted:-

(see annexed)

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

In particular, arising from discussions on this item, a Member questioned why the average number of days to process creditor payments had risen. The CFO advised that he would check and provide a briefing note on the matter.

An Independent Member questioned what had been the cause of the variance in respect of Children's Services. The CFO advised that he would check and provide a briefing note on this issue in addition to the above matter.

**Resolved** that: -

1. the financial health indicators be noted;
2. the Chief Finance Officer responds to the above matters by way of a briefing note to Members.

1187/14      **External Auditor's Audit Plan 2013/14**

A report was submitted:-

(see annexed)

The Chief Finance Officer introduced the report and the representative from Grant Thornton presented the report and highlighted the salient points contained therein.

In particular, arising from discussions on this item, the Vice-Chair questioned what standard was being applied to the password security in relation to Oracle Financials and Northgate password parameter settings. Furthermore, he questioned if there was any password expiration mechanism as it could not be gleaned from the report if one was in place or not. The representative from Grant Thornton agreed to check and report back on the matter.

**Resolved** that

1. the contents of the report, and the measures being taken to ensure that the Council meets its obligations, be noted;
2. the representative from Grant Thornton responds to Member concerned regarding the above issues.

1188/14      **Grant Thornton: Grant Certification Plan 2013/14**

A report was submitted:-

(see annexed)

The representative from Grant Thornton presented the report and highlighted the salient points contained therein.

In particular, arising from discussions on this item, an Independent Member questioned what was likely to happen to the teachers' pension return. The representative from Grant Thornton advised that details were still a little 'sketchy' around this matter at present, but assured that it would be picked up.

**Resolved** that the contents of the report be noted.

1189/14      **Internal Audit Progress for Year Ending 31<sup>st</sup> March, 2014**

A report was submitted:-

(see annexed)

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

Arising from discussions on this item, an independent Member questioned whether or the Head of Internal Audit held any concerns over the decrease in the trend relating to Assurance Health Measures, notably the increase in issue of limited assurance audit opinions. The Head of Internal Audit advised that the present direction of travel was not ideal but that she would monitor the situation.

**Resolved** that the contents of the report be noted.

1190/14 **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.

1191/14 **No and 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.

The Committee sought assurances, by way of robust challenge and questioning, that the weaknesses and outstanding actions, as contained within the no and limited assurance internal audit reports had now been addressed or were currently being addressed.

The following officers were in attendance to provide the Committee with assurances on the matters identified below: -

- Interim Head of Property Services – Building Services;
- Assistant Director – Early Help – Greenfield Children’s Centre and Pelsall Children’s Centre;
- Assistant Director – Children’s Services – Looked After Children;
- Interim Director – Social Care and Inclusion and Head of Community Care (Partnerships) – Independent Sector – Residential and Nursing

At the conclusion of this item, a Member commented that the Committee used to hold special meetings to consider such no and limited assurance matters.

**Resolved** that: -

1. the contents of the report be noted;

2. the Committee received assurances that the weaknesses detailed with the audit reports have or are being addressed;
3. that the below Councillors be nominated for Member involvement in respect of the identified audits: -
  - a) Councillors Flower and Illmann-Walker – Group Funding to Prevent Homelessness Grant Audit;
  - b) Councillor Illmann-Walker – Stocks and Inventories (ICT Data Centre) Audit.

1192/14      **Internal Audit Unplanned Summary Report for the Year Ending 31<sup>st</sup> March, 2014**

A report was submitted:-

(see annexed)

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

**Resolved** that the contents of the report be noted.

**Termination of meeting**

The meeting terminated at 9.40p.m.

Chair: .....

Date: .....