

## **AUDIT COMMITTEE**

**Monday 19<sup>th</sup> February, 2018, at 6.00 p.m.**

**Conference Room, Council House, Walsall**

### **Present**

Councillor Robertson (Vice-Chairman in the Chair)  
Councillor Barker  
Councillor Chambers  
Councillor Craddock  
Councillor Young

Mr A Green (Independent Member)

### **In attendance**

Chief Finance Officer  
Head of Finance  
Internal Audit Manager  
Auditor

Representatives of Ernst & Young

#### **13/18 Welcome / Apologies**

The Vice-Chair welcomed all in attendance.

No Apologies were received.

#### **14/18 A copy of the minutes of the meeting held on 15<sup>th</sup> January, 2018, was submitted:-**

(see annexed)

### **Resolved**

That the minutes of the meeting held on 15<sup>th</sup> January, 2018, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

#### **15/18 Declarations of Interest**

None submitted.

16/18      **Deputations and Petitions**

There were no deputations submitted or petitions received.

17/18      **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.

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

There were no issues raised under this item.

19/18      **Financial Health Indicators 2017/18**

A report was submitted:-

(see annexed)

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

The report provided the Committee with details of the financial health indicators for the third quarter of the year (to 31 December, 2017) as shown in Appendix 1 to the report, including the current year-end forecast position for both revenue and capital.

A Member enquired if Officers had any information in relation to comparisons to other Local Authorities with regard to Council Tax and NNDR. The Head of Finance explained that she did not have this information to hand and would endeavour to find out / report back to the Committee on this matter in due course.

The Independent Member stated that, in light of the recent news surrounding Northamptonshire County Council, it would be useful for future reports to include some more detail / explanatory notes around why Directorate budgets had decreased / increased from the previous year to help Members identify any trends and formulate appropriate questions to gain assurance.

A Member, in referring to the report format, sought future reports to include any re-categorisation of budgets to help provide Members with more detail and help gain assurances.

Officers responded to a small number of questions from Members seeking assurance on this item.

**Resolved** that the financial health indicators be noted.

20/18

**External Audit – Audit Planning Report for Year Ending 31 March 2018**

A report was submitted:-

(see annexed)

The representatives of EY presented the report and highlighted the salient points contained therein.

Member reviewed the report which provided the Committee with details of EY's audit plan for the financial year ending 31<sup>st</sup> March, 2018. Furthermore, it included detailed plans for the audit strategy which were driven by an assessment of the key issues and significant risks which could affect the accounts.

The Independent Member referred to the Birmingham Airport shareholding, as set out on page 11, and queried if the potential impact of BREXIT had been taken into account as part of this particular piece of work. The representative of EY advised that this had not been a consideration in previous years, but it would be factored into future methodology when undertaking this work.

A Member referred to the performance materiality of £10.6m, as set out on page 17, and queried what level of variance would be reported back to the Committee. The representative of EY advised that any unadjusted misstatement above £0.7m would be reported back to the Committee.

It was reported that Mark Surridge would be leaving EY in the near future and that a replacement representative, Mr M Green, would be taking his place following an appropriate handover. The Committee thanked Mark for his work supporting Walsall thus far.

**Resolved** that the report be noted.

21/18

**Internal Audit Plane 2018/19**

A report was submitted:-

(see annexed)

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

The report set out the recommended internal audit plan for 2018/19 for the Committee's approval.

The Chair referred to that fact that a good number of the reports included within the plan were due in quarter 4 and enquired if everything was under control and manageable within the service. The Internal Audit Manager confirmed that most of the reports due in quarter 4 were as a result of them being connected with core financial systems which required completion within quarter 4 and that it was manageable.

The Chair asked if there was sufficient capacity within the section and within the plan to deal with unknown emergency situations which could potentially arise. The Internal Audit Manager confirmed that there was sufficient capacity.

A Member enquired if it was possible to have an update back to a future Committee on the Saddlers Centre. The Chair advised that this matter more appropriately fell within the Corporate Scrutiny Committee's terms of reference.

**Resolved** that the recommended internal audit plan for 2018/19 be approved.

22/18

### **Internal Audit Charter**

A report was submitted:-

(see annexed)

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

The report set out the terms of reference and served as a basis for the governance of the Council's internal audit function. The Charter set out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards.

The Chair enquired if the Internal Audit Manager felt that the internal Audit Section was adequately resourced. The Internal Audit Manager advised that she did.

The Independent Member enquired as to why it stated that CMT should approve the Audit Charter as he felt it was the responsibility of the Audit Committee. The Internal Audit Manager advised that she would amend the document accordingly. Referring to the responsibility section on page 4, the Independent Member advised that, although semantic, the Committee could call for reports at its discretion whenever it felt necessity to do so, which was not reflected within this section.

In addition, the Independent Member identified an improvement which could be made on the diagram at page 2 of the document to ensure that it accurately reflected the governance structure of the Council. The Internal Audit Manager advised that she would amend the document accordingly.

**Resolved** that the report be noted.

23/18

## **Internal Audit Progress Report 2018/18**

A report was submitted:-

(see annexed)

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

The report provided the Committee with an update on Internal Audit's progress for 2017/18.

A Member, in referring to the indicators as set out on pages 2 -6 of the report, enquired as to what the reasons were behind not achieving targets and how performance compared to previous years. The Internal Audit Manager advised that it was not an exact science. The Audit Team did its best to keep to timescales. Some were easy to achieve. However, when it came to more complicated audits, sometimes it was not always feasible to hit the timescales. The Audit Team would always put the quality of a report over timescales. She advised that she would rather a report was correct than to rush it out. Resources were moved as / when required. Staff holidays also impacted upon being able to hit timescales as well. In terms of comparison to previous years, the Internal Audit Manager advised that performance had improved this year.

The Independent Member, in referring to residential charging as set out on page 18, asked for an update on this item to identify what additional controls and / or mitigations had been put in place. The Internal Audit Manager agreed to provide an update in due course.

The Internal Audit Manager reported on the details surrounding the Priority 1 recommendation mentioned on page 4 of the report.

A Member provided an update on the latest position with regard to the Solihull contract.

**Resolved** that the report be noted.

## **Termination of Meeting**

The meeting terminated at 6.45 p.m.

Chair: .....

Date: .....