

## **AUDIT COMMITTEE**

**Monday 26<sup>th</sup> June, 2017, at 6.00 p.m.**

**Conference Room, Council House, Walsall**

### **Present**

Councillor Robertson (Vice-Chairman in the Chair)  
Councillor Barker  
Councillor Chambers  
Councillor Phillips (Substitute for Councillor Young)  
Councillor Harris

### **In attendance**

Chief Finance Officer  
Head of Finance  
Audit Manager  
Senior Finance Manager  
Technical Accounting and Treasury Management Finance Manager  
Senior Accountancy Officer  
Corporate Information Governance and Assurance Manager  
Head of Community Care

Representatives of Mazars  
Representatives of Ernst and Young

139/17

### **Welcome / Apologies**

The Vice-Chair welcomed all in attendance.

Apologies were received on behalf of Councillors Craddock and Young and Mr Green.

The Chief Finance Officer confirmed that Mr Bell had now officially resigned from his position on the Committee. A recruitment campaign to fill the two Independent Member vacancies on the Audit Committee would be commenced.

140/17

### **Minutes**

A copy of the minutes of the meeting held on 24<sup>th</sup> April, 2017, was submitted:-

(see annexed)

### **Resolved**

That the minutes of the meeting held on 24<sup>th</sup> April, 2017, 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 the two typographical errors on pages 3 and 6 being rectified.

**141/17        Declarations of Interest**

None submitted.

**142/17        Deputations and Petitions**

There were no deputations submitted or petitions received.

**143/17        Local Government (Access to Information) Act, 1985 (as amended)**

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.

**144/17        Notification of any issues of importance for consideration at a future meeting**

There were no issues raised under this item.

**145/17        Audit Committee Role, Remit and Work Programme 2017/18**

A report was submitted:-

(see annexed)

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

The report outlined the remit of the Audit Committee and the proposed work programme for the 2017/18 Municipal Year.

**Resolved** that: -

1. the remit of the Committee be noted.
2. the work programme for 2017/18 be approved.

146/17      **Information Commissioner Office (ICO) – Data Protection Audit (DPA)**

A report was submitted:-

(see annexed)

The Corporate Information Governance and Assurance Manager presented the report and highlighted the salient points contained therein.

The report provided the Committee with a three-month update on the progress made towards the completion of the 49 recommendations made by the ICO following the recent Audit. In addition, the report also provided an accompanying action plan with details of the approach which would be undertaken with a view to implementing the recommendations over the coming months.

Members queried whether Officers were confident that sufficient resources were in place to manage this matter. Officers confirmed that there were adequate resources in place to deal with meeting the projects tasks, but the Council could potentially fall short on subject access requests. In this regard, Officers would work towards securing a long term solution to the potential problem.

**Resolved** that: -

(1) the progress made to date be noted;

(2) the ongoing risks in relation to non-compliance with the DPA in regard to responding to Subject Access Requests be noted.

147/17      **Treasury Management Annual Report 2016/17**

A report was submitted:-

(see annexed)

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

The report detailed the Council's treasury management annual report for 2016/17 as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice which was attached as Appendix A to the report.

**Resolved** that Council be recommended to approve the treasury management annual report for 2016/17, as attached at Appendix A to the report.

148/17

## **Financial Health Indicators**

A report was submitted:-

(see annexed)

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

The report provided the Committee with details of the financial health indicators for the year ending 31<sup>st</sup> March, 2017, as set out at Appendix 1 to the report, including the pre-audit year end outturn for both revenue and capital.

Members received assurance from Officers around the reason behind the variance in external funded capital expenditure (as set out on page 5 of the report) and the Authority's ability to deal with cyber attacks.

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

149/17

## **Understanding how the Audit Committee gains Assurance from Management**

A report was submitted:-

(see annexed)

The representative of Ernst and Young introduced the report and highlighted the salient points contained therein.

The report detailed that the 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 management processes and the Audit Committee's oversight of these, including: -

- 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 controls and breaches thereof
- Adopting a going concern basis.

EY had written formally to the Audit Committee, the Monitoring Officer (MO) and to the Chief Finance Officer (CFO). Draft responses from the MO and CFO (on behalf of management) were attached to the report, along with a draft response from the Audit Committee which would be subject to the Committee's comments, review and amendments.

Members queried if the External Auditor's were satisfied with the three response letters from the Council. The representative of Ernst and Young confirmed that he was content with the responses received.

**Resolved** that: -

1. it be agreed that the management responses to the series of questions set out in the attached letters to the MO (Appendix 1) and CFO (Appendix 2) are consistent with Audit Committee's understanding.
2. the proposed Audit Committee response letter (Appendix 3) be agreed for return to EY.

150/17      **Internal Audit Annual Report and Opinion 2016/17**

A report was submitted:-

(see annexed)

The representative of Mazars presented the report and highlighted the salient points contained therein.

The report provided the Committee with Internal Audit's Annual Report and Opinion on the Council's internal control environment for 2016/17.

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

151/17      **Internal Audit Progress Report for the Year Ending 31<sup>st</sup> March, 2017**

A report was submitted:-

(see annexed)

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

The Chair sought assurance from the representative from Mazars as to whether they felt that had sufficient resources to complete their work. The representative from Mazars confirmed that they did.

The report provided the Committee with an update on Internal Audit's progress for 2016/17.

**Resolved** that the report, and action being taken to address the performance indicator performance, be noted.

152/17

### **Pre-Audit Draft Statement of Accounts 2016/17**

A report was submitted and additional questions / responses to Members questions were tabled:-

(see annexed)

The Technical Accounting and Treasury Management Finance Manager presented the report and highlighted the salient points contained therein.

The report detailed that the statement of accounts summarised the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March, 2017. The Authority was required to prepare an annual statement of accounts in accordance with the Accounts and Audit (England) Regulations 2015. Those regulations required the statement of accounts to be prepared in accordance with proper accounting practices. These practices primarily comprised the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and were supported by International Financial Reporting Standards.

Members extended their thanks to all Officers involved with the accounts.

Following further discussion on one of the Member submitted questions, the Chief Finance Officer agreed to bring a report back to the next meeting around business rates and how it worked in practice.

In relation to the sale of land assets to help raise capital funding and the difficulties / delays involved, the Chief Finance Officer agreed to liaise with the Executive Director for Economy and Environment and report back on this issue.

**Resolved** that: -

1. the revised deadlines for the 2017/18 statement of accounts, and the progress the Council has made to ensure it can successfully meet this shortened timescale, be noted.
2. the pre-audit draft statement of accounts for 2016/17, attached at Appendix 1 to the report, be noted
3. the draft summary of accounts for 2016/17, attached at Appendix 2 to the report, be noted.

153/17

### **Draft Review of Effectiveness of the System of Internal Control and the Draft Annual Governance Statement (AGS) 2016/17**

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 the findings and recommendations of the review of the effectiveness of the council's system of internal control, for consideration by Audit Committee. This review supported production of the AGS for 2016/17 and required Audit Committee's approval prior to publication alongside the post-audit Annual Statement of Accounts (SoA), in September 2017.

CIPFA advice sets out that it was good practice for Audit Committee to receive the draft AGS before or during the audit of the accounts to enable Audit Committee to raise any points it felt may need to be addressed prior to formal approval in September.

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

**Resolved** that: -

1. the findings and recommendations arising from the annual effectiveness review of the system of internal control, as contained within the report, be approved.
2. the attached draft Annual Governance Statement be approved for publication alongside the pre-audit Statement of Accounts.
3. It be noted that the final AGS will be presented to Members for approval in September, alongside the post-audit Statement of Accounts.
4. It be noted that the final AGS will be updated as necessary for any changes or findings as a result of the audit of the AGS and Accounts over the summer period.

154/17

### **Annual Report of the Audit Committee 2016/17**

A report was submitted:-

(see annexed)

The Chair presented the report and highlighted the salient points contained therein.

The report set out the proposed Annual report of the Audit Committee for 2016/17 and sought approval for the Vice-Chairman to present the report to Council.

**Resolved** that the proposed Annual Report of the Audit Committee 2016/17 be approved and that the Vice-Chairman be authorised to present it to the next meeting of the Council on the Committee's behalf.

155/17      **Internal Audit Progress Report 2017/18**

A report was submitted:-

(see annexed)

The representative of Mazars 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.

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

156/17      **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.

157/17      **Internal Audit Report: Community Alarms and Telecare**

A report was submitted:-

(see annexed)

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

Members sought assurance that progress was being made against the action plan.

**Resolved** that the contents of the report be noted and that an update briefing note be circulated in due course to all Committee Members on progress being made against the action plan.

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



## **Summary of Priority 1 recommendations**

A report was submitted:-

(see annexed)

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

Members sought assurance that progress was being made against the action plan.

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

(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 7.08 p.m.

Chair: .....

Date: .....