

SPECIAL AUDIT COMMITTEE

Monday, 21st June, 2010 at 6.00 p.m.

Conference Room at the Council House, Walsall

Present

Councillor Turner (Chairman)
Councillor Rochelle (Vice-Chairman)
Councillor Chambers
Councillor Douglas-Maul
Councillor Flower
Councillor D. Shires

724/10

Apology

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

725/10

Declarations of Interest

There were no declarations of interest.

726/10

Deputations and Petitions

There were no deputations submitted or petitions received.

727/10

Local Government (Access to Information) Act, 1985 (as amended)

Resolved

There were no items on the agenda which the Committee considered should be dealt with in private session.

728/10

Treasury Management Report

A report was submitted:-

(see annexed)

Michael Tomlinson, Corporate Financial Systems and Treasury Manager, went through the report and highlighted the salient points contained therein.

In addition to the report, Michael also gave Members a PowerPoint presentation to help illustrate the various important issues to consider:-

(see annexed)

Councillor Douglas-Maul wished to know why benchmarking against other Local Authorities remained anonymous. Michael responded by saying that he followed a benchmarking protocol which stipulated that this information should remain anonymous.

Councillor Flower wished to know how the Council decided to invest its money. Michael reported on the process by which the Council identified the best and safest way to invest its money.

Councillor Chambers thanked officers for all the hard work on this particular item which was duly endorsed by the rest of the Committee.

Resolved

That the 2009/10 Treasury management activities and performance statistics in Appendix A and the reporting of Walsall's prudential indicators as at 31st March, 2010 as contained in Appendix B, as now submitted, be noted.

729/10

Interim Audit Report 2009/10

A report was submitted:-

(see annexed)

Kyla Bellinghall, along with her colleagues from Grant Thornton, presented the report and highlighted the salient points contained therein.

Councillor Chambers highlighted that Item No. 1 'Information Systems on the Action Plan' contained a contradiction and sought re-assurance that the word 'not' had been missed out during the first sentence. Kyla responded by acknowledging that the first sentence of Item No. 1 should read 'Walsall MBC does **not** have a dedicated IT Security Officer'. Councillor Chambers then referred to Item No. 2 'Information Systems on the Action Plan' and sought more information on what the second paragraph entailed. Kyla explained that this related to the roll out and testing of systems and software in ICT.

Councillor Douglas-Maul wished to know what the Council needed to do in relation to the ‘deteriorated’ direction of travel highlighted in 2.3 and 2.4 on page 4 of the report. Kyla advised that the issues raised in 2.3 and 2.4 of the report were in relation to the ERDF funding issues and that an action plan on this matter had been agreed at the last meeting of the Audit Committee which addressed this issue .

In relation to Item No. 1 ‘Information Systems on the Action Plan’ recommendation, Councillor Shires wished to know whether the Council had to implement the recommendation from Grant Thornton or whether the Council could pass on the identified duties to existing officer posts. Kyla responded by saying that their recommendation was a possible solution to the problem and if the Council decided to resolve the problem in a different way, but which achieved the same outcome, that would be satisfactory.

Resolved

That the Grant Thornton report and the measures being taken to ensure the Council meets its obligations be noted.

730/10

Findings into the effectiveness of the systems of Internal Audit and Internal Control and Annual Governance Statement

A report was submitted:-

(see annexed)

James Walsh, Chief Financial Officer, went through the report and highlighted the salient points contained therein.

Resolved

- (1) That the findings and recommendations arising from the annual governance effectiveness review, including the review of the systems of Internal Audit as contained in Appendix 1, 2, 3(a) and 3(b) and Internal Control as in Appendix 4, 5(a) and 5(b) be approved;
- (2) The the annual Governance Statement, as set out in Appendix 6, be approved.

731/10

Approval of the 2009/10 Pre-Audit Statement of Accounts

A report was submitted:-

(see annexed)

Revised pages for 43, 44, 53, 54, 73 and 74 were also submitted:-

(see annexed)

Dan Mortiboys, Service Accounting and Financial Reporting Manager, presented the report and highlighted the salient points contained therein.

Dan also guided Members through a PowerPoint presentation to help identify the key factors for consideration:-

(see annexed)

Following the conclusion of Dan's presentation, the Chair stated that he intended to go through the accounts page by page and invited Members to ask any questions of the officers who were in attendance.

Councillor Douglas-Maul referred to the presentation that Dan Mortiboys had just given in which it was stated that 'Grant Thornton have commented that any error under £140,000 would be classed as inconsequential and would not be reported ISA260'.

Councillor Douglas-Maul raised his concerns at this level and felt it was far too high. For Councillors representing their electorate, he did not feel that they could justify this level of money as inconsequential to them. Kyla from Grant Thornton responded by assuring Councillor Douglas-Maul that reported errors in accounts did not mean that there was a financial loss. Furthermore, Kyla advised that it was not the case that discrepancies were not reported. All discrepancies were actually reported to the officers at Walsall Council. It was identified that £140,000 was the level at which any discrepancies should be reported to the Audit Committee. To clarify, she stated that all errors were reported to Officers but the threshold for Audit Committee was at £140,000.

In relation to page 13 of the accounts, Councillor Chambers sought clarification on what prudential projects were? James Walsh advised Members that page 65 of the accounts summarised this information adequately.

On page 15 of the accounts, Councillor Chambers asked why the pensions shortfall had occurred? Officers responded by advising Councillor Chambers that this figure changed on a daily basis as it was tied in with the stock exchange, but agreed to investigate the reasons why this had occurred in this particular instance and report back to Members.

With reference to page 33 of the accounts, Councillor Chamber wished to know what the difference between net expenditure and re-stated net expenditure was? Officers advised that net expenditure was based on figures from September, 2009 whereas re-stated net expenditure was based on any amendments to the accounts since then, for example,

Council Tax amendments. Vicky Buckley also advised that further information on this matter could be found on page 40 of the accounts.

On page 34 of the accounts, Councillor Chambers sought clarification that the figure of £8.267 million was the Council's general fund balance. James Walsh confirmed that this was the case. Councillor Chambers thanked officers for their work on this matter.

In relation to page 37 of the accounts, Councillor Chambers sought clarification on what 'unusable reserves' was? Dan Mortiboys reported that it was different in each case and would be happy to advise Councillor Chambers outside the meeting. Following on from this, Councillor Chambers specifically referred to pensions reserve. Dan Mortiboys advised that the figure recorded for the pensions reserve was the recorded opposite entry of the liability relating to 'defined pension scheme' detailed at the top of the same page.

With reference to section 5 on page 42 of the accounts, Councillor Chambers wished to know if the final paragraph was just a general statement? James Walsh confirmed that this was the case. On the same page and same section, Councillor Shires asked if the figure stated in the use of school balances had been brought forward? Dan Mortiboys clarified that this figure was for schools who had used reserves in year and, as a result, it had decreased.

On page 43, Councillor Flower highlighted an inconsistency. The second paragraph referred to pages 42 and 44 whereas it should be 45 and 46. Officers confirmed this was the case and thanked Councillor Flower for bringing it to their attention and agreed to amend the report.

In relation to page 45, Councillor Flower wished to know what criteria senior officer bonuses were assessed against? James Walsh responded that the bonuses highlighted were in relation to the performance related pay scheme. These had been set on the basis of targets agreed between the Chief Executive and Leader. The Chief Executive then set targets for his Executive Directors and Assistant Directors and their performance was measured against these targets at the end of the year. James also clarified that only officers whose basic salary was over £150,00 a year were required to be named. On this matter, Councillor Douglas-Maul asked if Walsall was the only Council who paid bonuses or if other Local Authorities, and specifically within the Black Country, also did this? James responded by reporting that he could not comment on all Local Authorities but in his experience, paying bonuses was not unique to Walsall.

With reference to page 48 of the accounts, Housing 21, the Chair reported that he understood that about three fifths of the accommodation being built would be adopted by the Council. However, the Chair wanted to know whether these units would be rented or owned? James Walsh advised that he did not have this information and would report back to the

Chair in due course. He also advised that this would now be shown on the balance sheet and reflected in the accounts. Furthermore on this matter, Councillor Douglas-Maul wished to clarify who would be gaining out of the Housing 21 PPP Scheme, the Council or Housing 21? Officers were of the opinion that it should be mutually beneficial but reported they would get a definitive answer back to Members. Councillor Douglas-Maul expressed his concern that the Council might be giving away too much.

The Chair sought clarification on the last paragraph contained on page 56 of the accounts. Dan Mortiboys informed that this paragraph related to IFRS projects and advised Members that a comprehensive asset process identification had been undertaken. The Chair sought further clarification on this matter in terms of what the 'assets' were, for example, land or buildings and if the Council was likely to sell any? Dan Mortiboys agreed to e-mail further details on this matter to the Chair.

In relation to page 57 of the accounts, Councillor Douglas-Maul sought further information on why the 'kilometres of road' had gone down between 31st March, 2009 to 31st March, 2010? James Walsh replied that Highways now had a better means of measuring the roads in the Borough, so it was likely to be more accurate than before. On this matter, the Chair wished to know whether the reduction in the amount of 'kilometres of roads' within the Borough would have a negative effect on Government funding received by the Council? James Walsh indicated that it was not clear what was likely to happen as a result of this as it would be dependent on many factors. On the same page, Councillor Douglas-Maul wished to know why there had been a reduction of parking spaces? Officers responded saying this was likely due to the many developments throughout the Borough and in particular, the new ring road in Walsall.

Also on page 57, Councillor Shires wished to know why the sweepers had decreased from three to one? Officers advised that two sweepers had been sold and that leases had been taken out on further ones to replace them. Furthermore on this page, Councillor Flower asked why there had been a reduction in 'tenanted farms' from ten to nine? James Walsh and Dan Mortiboys agreed to find out this information and respond directly to Councillor Flower.

On page 62 of the accounts, Section 19, the Chair wished to know if there was a cut off point for debtors? Officers responded by saying that the Council did all it could to get money back from its debtors and would enter into agreements and set a schedule of payments.

In relation to page 63, Section 21, the Chair again asked if there was a cut off point in relation to the repayment of debts? Officers advised that it depended on the negotiations but could be up to around 5 or 6 years.

With reference to Section 25 on page 64 of the accounts, Councillor Chambers wished to know if the Council was close to resolving its equal pay claims? Vicky Buckley provided Councillors with the up-to-date situation on equal pay claims. A deadline of November, 2010 had originally been set but she suspected this could be delayed until May, 2011 in view of a recent employment tribunal legal issue which had recently been raised. On this matter, Councillor Douglas-Maul asked if the tribunal was on individual cases or 'on bloc'? Vicky Buckley explained to Members the process. The claims were individual claims but they were put into groups as it would not be possible to get through each individual case in a reasonable amount of time.

With reference to Section 28 on page 66 of the accounts, Councillor Shires wished to know why the grants were 'unapplied'? Dan Mortiboys advised that it was for the money to be invested.

In relation to Section 33 on page 75 of the accounts, Councillor Douglas-Maul wished to know what DEFRA involvement with the Council was? Officers were unsure of the answer and agreed to get back to the Councillor.

In relation to the second paragraph down on page 79 of the accounts, Members wished to know if this potential dispute had now come to fruition? James Walsh confirmed that, as far as he was aware, this was now a dispute.

With reference to Section 39 on page 79 of the accounts, Councillor Chambers requested a briefing note on the primary schools net funding which equated to £4.865 million. Officers agreed to provide Councillor Chambers with a briefing note on this matter.

On page 80 of the accounts, Section 4, Councillor Douglas-Maul wished to know more about the section entitled 'Omissions from Register'? Dan Mortiboys provided Members with further information on this matter.

With reference to Section 42 on page 81 of the accounts, Councillor Chambers wished to know if this was, in fact, real money or whether it was committed? Vicky Buckley responded on this matter stating it was real but the vast majority was incorporated within the 2010/11 capital budget.

With reference to Section 44 on page 81 of the accounts, Councillor Douglas-Maul wished to know whether Walsall was pulling out of the Birmingham Airport scheme and selling off its shares? James Walsh responded by stating that there was no intention to pull out of the scheme or sell off shares at present.

With reference to the table at the bottom of page 85 of the accounts, Councillor Flower wished to know why some of the debts were outstanding for more than 4 or 5 years? James Walsh assured Members that the Council would not give up on debt and some negotiations took longer than others.

In connection with Section 45 on page 87 of the accounts, Councillor Flower felt that it was unclear what was meant by the words 'in favour' and felt this should be amended accordingly? Dan Mortiboys advised that this had been written in consultation with the Charity Commission but agreed to look at the wording.

Finally, in relation to the tables on page 92 of the accounts, Councillor Flower wished to know why the Charity referred to under Section 45 on page 87 was also not listed in these tables? Officers did not have the information to answer the question and agreed to respond to Councillor Flower directly.

Resolved

- (1) The pre-Audit Statement of Accounts attached as Appendix 1 be approved in order that they may be placed on deposit for public inspection for 20 working days commencing 12th July, 2010;
- (2) It be noted that the Statement of Accounts will be submitted for external audit on 28th June, 2010 following approval by Audit Committee;
- (3) That authority be delegated to the Chief Finance Officer to make any amendments to the Annual Governance Statement approved by Audit Committee following Audit Committee's review of the Annual Governance Statement to allow the accounts to go on deposit for public scrutiny by 12th July, 2010.

Termination of meeting

There being no further business, the meeting terminated at 8.00 p.m.

Chair:

Date: