

AUDIT COMMITTEE

Monday 5th January, 2015 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)
Mrs Hepburn (Independent Member)

In attendance

Executive Director – Resources
Head of Internal Audit
Head of Legal and Democratic Services
Treasury Financial Administration and Systems Manager
2 X Representatives from Grant Thornton

The Interim Executive Director – Social Care and Inclusion attended for the private item only (Item 12 – No and Limited Assurance Internal Audit Reports)

1233/15 Apologies

None.

1234/15 Minutes

The minutes of the meeting held on 10th November, 2014, were submitted:-
(see annexed)

Resolved that the minutes of the meeting held on 10th November, 2014, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

1235/15 **Declarations of Interest**

There were no declarations of interest.

1236/15 **Deputations and Petitions**

There were no deputations submitted or petitions received.

1237/15 **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.

1238/15 **Notification of any issues of importance for consideration at a future meeting**

There were no issues raised.

1239/15 **Corporate Governance Review – January 2015 Update**

A report was submitted:-

(see annexed)

The Executive Director - Resources presented the covering report and highlighted the salient points contained therein. In doing so, he informed Members in relation to the history of this matter.

A representative from Grant Thornton then guided the Committee through their part of the report, highlighting the salient parts contained therein.

The Executive Director – Resources reported on the matters contained within the Action Plan, as set out on pages 48 – 51 of the Grant Thornton report.

There then following a period of lengthy debate on the matter, during which Officers responded to a series of questions from Members, including: -

- Whether the two particular incidents could have been picked up earlier. In response, the Head of Legal and Democratic Services assured the Committee that, under the circumstances, he was not of the opinion that the two separate instances which had led to this review could have been picked up any earlier than they had been. However, with a greater awareness of corporate governance, issues should be picked up at the earliest opportunity. In addition he advised that he felt it was possible to have an innovative organisation which still adhered to a scheme of good and sound governance. However, governance should be monitored and reviewed regularly to ensure that it was fit for purpose.
- In view of the fact that it had been determined that the Council's governance arrangements were sound in general; and that the two incidents which had led to this review were as a result of the isolated actions of two individuals; how could the Committee gain assurance that this would not happen again. In response, the Executive Director – Resources advised that it would never be possible to design governance arrangements which would fully protect the council against deliberate misconduct, the fact that the Council had a good track record in responding to misconduct and tackling it helps to create an environment in which high standards of behavior are shown to be expected.
- Where the trade-off should be in the future between innovation and good governance and where the balance should sit. The Executive Director – Resources advised that a certain level of balance needed to be achieved in terms of how the Council operated in the future. The Council would be operating during times of unprecedented austerity and would be required to deliver valued services with significantly reduced budgets and resources. However, in doing so, he advised that governance should not hinder innovation as innovation could become critical in how the Council conducted its business going forward. Inevitably, it would be a significant challenge for the managerial leadership to achieve and monitor for the foreseeable future.
- Silos must be broken down, and assurances given that the culture of working in silos would change, and how will this be reported back to the Committee. In response, the Executive Director – Resources advised that CMT (Corporate Management Team) had recently considered an 'Organisational Diagnostic' tool which had helped management understand the strengths and weakness across the organisation. The work ongoing from the Organisational Diagnostic should help to ensure more collaborative, less silo-based working.
- It was difficult for staff and Members alike to understand what Council Initiatives were current and which had been concluded. In addition, staff and Members didn't always understand what the initiatives were precisely about. An example was given where a Member advised

that he was unaware until recently that the Working Smarter and the Smarter Workplace initiatives were in fact separate initiatives. Furthermore, a Member commented that there was little reporting back on whether Council initiatives had been successful, what had been achieved / saved or what the outcomes had been. In response to 'initiative fatigue', the Executive Director – Resources advised that 'Walsall Change Approach' had recently been through the Corporate Scrutiny Panel and it had sought to ensure that significant new projects which affected how the Council operated could not occur without approval.

- A member commented that the action plan had many of the actions for completion by April, 2015, but felt that governance and many of the aspects contained within the report should be monitored continually and should not be forgotten about post April, 2015. In essence, a cultural shift was required. In addition, he questioned how this matter would be monitored to ensure that the scheme of governance was fit for purpose and how Members would be kept abreast of the matter and provided with an assurance. In response, the Executive Director – Resources agreed that continually re-energising the organisation's focus on doing the right thing was an essential part of managerial leadership across the Council and that this should be expressed as an important underlying value that was shown through the behavior of senior managers and reinforced at every opportunity through business as usual.
- Members queried how they would be assured that governance was improving / how would it be measured. In response, the Executive Director – Resources replied that this was a difficult question to give a simple answer to and he was not sure that any organization had created a simple and clear set of measures to show how effective governance arrangements were in practice. He would give this some further consideration and discuss with management colleagues whether such a set of measures was feasible.
- Members queried whether governance was covered as part of the 'welcome to Walsall induction' and if the induction was 'face to face' or electronically delivered. In response, the Executive Director – Resources reported that these sessions were face to face and that the Chief Executive had a regular slot where he was able to give new staff key messages about the kind of organization that they have joined and explain some of the key expectations upon them.
- At what level do Officers have to sign up and state that they had read and understood procedures. In response, the Executive Director – Resources reported that contracts of employment include acceptance of the Code of Conduct for employees and that the Code of Conduct itself specifically requires staff to be aware of policies and procedures that are relevant to

- If the responsibility of the Audit Committee in relation to corporate governance was covered in the Constitution. The Head of Internal Audit confirmed that Governance did form part of the Committee's remit under its Terms of Reference in the Constitution.
- An Independent Member questioned whether the Committee was satisfied with the current procedure of CMT (Corporate Management Team) determining the authority's risk appetite. In response, the Executive Director – Resources clarified that the Audit Committee would automatically have an opportunity to consider this matter as part of the report that it receives regularly in relation to risk management.
- An Independent Member queried how the Committee would know if the actions had been carried out and if they had been successful or not including monitoring in the future. In response, the Executive Director – Resources reported that it was the intention to bring back to Audit Committee a progress report against the agreed action plan in due course.
- An Independent Member referred to page 50 (Recommendation 9) and queried whether the Section 151 Officer should also be included in this list. The Executive Director – Resources advised that it should include the Section 151 officer and other Senior Officers at tiers below that of Executive Director level.

The Head of Internal Audit advised that the positive which could be taken away in relation to the two incidents which had led to this review, was that on both occasions the Whistleblowing system had worked very well. On both occasions, staff had raised concerns under the Whistleblowing Procedure which had alerted Internal Audit to matters which had required further investigation. This had shown that there were staff within the organisation who had the right attitudes and behaviours, recognised wrongdoing and were confident to report it.

Furthermore, the Head of Internal Audit advised that the Committee could gain assurance from that fact that Internal Audit would be undertaking a follow up of the Grant Thornton report in April, 2015.

In addition, Members made the following comments: -

- Clearer corporate messages / health and safety advice should be displayed around Council buildings rather than just relying on dissemination by electronic means.
- Managers should ensure that regular, scheduled and accessible Team Meetings are available for staff.
- The Committee queried with Grant Thornton, how the Members who had been interviewed by them as part of the review had been selected.

- That the Grant Thornton report referred to the Council having just one Independent Member, whereas there were now three Independent Members. Grant Thornton's report needed to be amended to reflect this discrepancy.
- An Independent Member commented that management might wish to reconsider the reintroduction of staff surveys in light of the findings outlined in the report.
- The Chair stated that it might be useful to call in Senior Officers periodically to check that they had been 'walking the job' and this would also give the Committee an assurance from the feedback received.
- A Member, Referring to page 32 (Welcome to Walsall Induction), requested that the training material in relation to this matter be sent to him and the Head of Democratic Services. The Executive Director – Resources agreed to forward a copy of the training material, as requested.

Resolved that the contents of the report be noted and that an update be received at a future meeting in relation to progress against the action plan.

1240/15

Grant Thornton: Grant Certification Report 2013/14

A report was submitted:-

(see annexed)

The Head of Internal Audit introduced the report, on behalf of the Chief Finance Officer, and the Representative from Grant Thornton highlighted the salient points contained therein. In doing so, the representative from Grant Thornton advised that some issues had been identified in relation to the Teachers Pension aspect of the work, but this had not had a material impact on the claim.

Arising from discussions on this item, a Member requested that the Committee receive a further report on the Teachers Pensions aspect of this report so the Committee could be assured that the matter had been addressed.

Resolved that: -

1. the report be noted;
2. a report be brought back to a future meeting of the Committee on the Teachers Pensions aspect of this report to provide Members with an assurance that the matter has been addressed.

1241/15 **Treasury Management Strategy 2015/16**

A report was submitted and an additional document (Table 11 – Analysis of Borrowing) was tabled:-

(see annexed)

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

Arising from discussion on this item, the following queries / comments were responded to: -

- why, in relation to the table on page 6, the ‘actual borrowing’ was higher;
- if the external Auditor could give the Committee an assurance that the proposals within the report were reasonable and if they had seen such changes in other Local Authorities;
- what the implications of not making the changes would be;

In relation to a particular question regarding whether or not a Legal view should be sought on the proposals, the Treasury Financial Administration and Systems Manager advised that he did not think a Legal view was necessary. He had arrived at this opinion based on the fact that the proposals were entirely in accordance with the issued guidelines and regulations. The Representative from Grant Thornton concurred that, should the Committee be so minded to recommend that a Legal view be sought, internal Legal advice would be sufficient.

Resolved that: -

1. the draft Treasury Management Strategy Statement, as set out at Appendix A, be endorsed;
2. it be noted that any changes required as a result of budget consultation, interest rate outlook, the Autumn Statement or Local Governance Finance Settlement will be made prior to the final submission to Council for Approval of the Strategy;
3. it be noted that the changes to the Minimum Revenue Provision Policy Statement, as contained within the Treasury Management Strategy, will be applicable from 2014/15 onwards.

1242/15 **Submission of Corporate Risk for Scrutiny**

A report was submitted:-

(see annexed)

The Head of Internal Audit presented the report, on behalf of the Chief Finance Officer, and highlighted the salient points contained therein.

A Member queried the achieved by date recorded within the risk register. The Executive Director – Resources clarified that the date indicated the target date by when it was intended that the target risk score would be achieved.

There was also some confusion amongst Members in relation to the nature of some of the risks and how they linked together. The Executive Director – Resources explained that this risk was as a result of an amalgamation of 3 separate risks and he felt that the descriptions needed to be reviewed. He, therefore, agreed to feedback the Committee's comments to the relevant Risk Owner (Chief Finance Officer) and request that he re-circulate the revised report in light of the amendments.

Resolved that: -

1. the contents of the report be noted;
2. the Chief Finance Officer re-circulates the risk report, addressing the Committee's comments.

1243/15

Officers Exercise of Delegated Powers 2013/14

A report was submitted:-

(see annexed)

The Head of Internal Audit presented the report on behalf of the Chief Finance Officer and highlighted the salient points contained therein.

A Member commented that, more often than not, this report came to the Committee annually with a 'nil-return'. He felt that it would be more useful if the report detailed what decisions Cabinet had delegated to Chief Officers throughout the year.

The Head of Legal and Democratic Services acknowledged the issue raised and clarified the distinction between a decision taken under a Chief Officer's Delegated Powers and that of a decision delegated to a Chief Officer by Cabinet. He agreed, however, to bring a report back to the next meeting of the Committee establishing if there was any Legal or Statutory requirement for the information contained within this item to be reported to the Committee. In addition, he would also establish, in the report to the next meeting, if there was a proper process in place for the recording of decisions delegated to Chief Officers by Cabinet. This would seek to provide the Committee with an assurance that there was a proper and adequate process in place for recoding such decisions.

Resolved that: -

1. the contents of the report be noted;
2. the Head of Legal and Democratic Services submits a report to the next meeting of the Committee in relation to whether or not there is a Legal or Statutory requirement for this report to be submitted to the Audit Committee in the future.

1244/15

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.

Summary of item considered in private session

1245/15

No or Limited Assurance Internal Audit Reports

The Committee noted the contents of the report,

(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 8.15p.m.

Chair:

Date: