

AUDIT COMMITTEE

Tuesday, 27th October, 2009 at 6.00 p.m.

Conference Room at the Council House, Walsall

Present

Councillor Martin (Chairman)
Councillor Chambers
Councillor Clarke
Councillor Robertson
Councillor Sears
Councillor D. Shires
Councillor Yasin

636/09

Apology

An apology for non-attendance was submitted on behalf of Kate McLeod (Independent Member).

637/09

Substitutions

It was reported that Councillors Clarke and Yasin would substitute for Councillors Rochelle and Ault for the duration of the meeting.

638/09

Minutes

Councillor Chambers referred to the minutes of 2nd September, 2009 and to the Education contract and to the fact that several Secondary schools were now outside the remit of Serco. He felt that the contract should be amended to reflect this.

James Walsh stated that the matter should be progressed through the scrutiny route as contract monitoring/compliance and value for money. He added that questions would be raised at the Scrutiny Panel and Pauline Pilkington would be asked to report back.

Councillor Chambers requested that the Governance Model, once agreed, be referred to the Audit Committee for consideration. James Walsh confirmed that governance arrangements should be considered by this Committee.

Councillor Clarke referred to the minutes of 29th September, 2009 and to Paragraph 5 on page 2. He referred to the shares in Birmingham Airport. James Walsh replied that a discussion had ensued as to how the shares should be valued. He added that they had been considered at “book” value only and could not be sold until 2012 at the earliest.

Councillor Chambers asked for a briefing note to Members on this matter which was agreed.

Resolved

- (1) That the minutes of the meetings held on 2nd and 29th September (Special), 2009, copies having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as correct records;
- (2) That a briefing note on the value of Birmingham Airport shares be forwarded to Members of the Committee.

639/09 **Declarations of Interest**

There were no declarations of interest.

640/09 **Deputations and Petitions**

No deputations were received or petitions submitted.

641/09 **Local Government (Access to Information) Act, 1985 (as amended)**

Resolved

That the public be excluded from the meeting during consideration of the item set out in the private part of the agenda for the reasons set out therein and Section 100A of the Local Government Act, 1972.

Non-Executive Functions

642/09 **Internal Audit Activity for the Six Months Ending 30th September, 2009**

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report. He indicated that monitoring reports were produced on a quarterly basis. Referring to the performance results on page 2 of the report, David Blacker stated that the only target which had been missed was “audit report actions agreed” which was showing an achievement level of 94% against a target of 95%. It was anticipated that the target would be achieved by the year end. With regard to the implementation of agreed audit report actions, this was showing a current high achievement level although few reports had been finalised to date. He stated that the Chief Executive had made it very clear that he expected Executive Directors to take personal responsibility for ensuring improvement in this important area.

Referring to page 5 of the report and the paragraphs headed staffing, David Blacker reported that a temporary Principal Auditor had been appointed.

Councillor Chambers asked if other vacancies could be filled or whether they were caught by the recruitment freeze. David Blacker replied that as the vacant posts had been budgeted for, it was his understanding that they could be filled. If, following interviews, appointment were not made, the contractor would be used to carry out necessary work.

Resolved

That the Committee:-

- (1) notes that in 2009/10 internal audit had delivered on all but one of its performance targets, maintaining a high level of overall performance for the year; and
- (2) selects the following audit reports for scrutiny:-

Business Change - Scrutiny
Housing Services - Regional Housing pot

643/09

Measuring the Effectiveness of the Audit Committee - Self-Assessment

A self-assessment form was handed to Members present at the meeting:-

(see annexed)

James Walsh reminded Members that this exercise was carried out annually and was designed to show how effective the Committee was. Any weaknesses that were exposed would be corrected.

Referring to question 2 - Do the Terms of Reference follow the CIPFA model? - James Walsh reported that the Terms of Reference followed the CIPFA model but he felt that the Constitution needed to be strengthened and refreshed. He would report back to a future meeting on this matter.

With reference to question 5 - Are summaries of quality questionnaires from managers reviewed? - James Walsh confirmed that this was carried out by David Blacker's team. David Blacker reported that many Authorities had difficulty in getting managers to respond but he and his team would take steps to ensure this was done and report back to a future meeting of the Committee.

With regard to question 7 - Are reports on the work of external audit and other inspection agencies presented to the Committee? - James Walsh indicated that he would like to see a more consistent approach to this matter. External audit reports were submitted to the Committee on a regular basis but he would also like to see scrutiny reports submitted to the Committee on a regular basis too.

With reference to question 8 - Does the Committee input into the external audit programme? - Councillor Chambers asked whether Audit Committee had enough influence over the external audit programme. James Walsh confirmed that the Committee could influence it if that was what it wanted to do.

With regard to question 9 - Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations? - James Walsh reminded Members that officers had been called before the last meeting of the Committee. He added that the Chief Executive and Corporate Management Team supported this action wholeheartedly. The robust approach had had the desired effect.

With reference to question 10 - Does the Committee take a role in overseeing:-

- Risk management strategies
- Internal control statements
- Anti-fraud arrangements
- Whistle-blowing strategies

James Walsh explained how risk management was carried out in Walsall. He referred to the CPA score of 4 out of 4 for risk management and added that under the CAA harder test, the Council had still scored 3 out of 4 which was an excellent result. He stated that projects would be considered by individual Scrutiny Panels and completed contracts would be referred to Audit Committee for final review.

David Blacker stated that Internal Audit had recently reviewed project management and gave an overall significant assurance. There were very few overspends. The Local Authority was much improved in its project management arrangements and most anomalies were historic.

Councillor Robertson concurred that risk management was good in Walsall.

With regard to question 12 - Is the Chair free of executive or scrutiny functions? - Councillor Martin indicated that she sat on two Scrutiny Panels. James Walsh stated that if there was no conflict of interest then there was not a problem. If there was likely to be a problem, then the Member should declare an interest and take no part in the discussion or voting on the matter.

With reference to question 14 - Have all Members' skills and experiences been assessed and training given for identified gaps? - Councillor Chambers asked if Audit Committee Members could have specialist training and that best practice from other Authorities could be used.

After further discussion it was,

Resolved

That the completed self-assessment forms and the comments of Members and officers on the various questions be noted.

644/09

Improving Financial Reporting - the publication of financial health indicators

A report was submitted:-

(see annexed)

James Walsh enlarged upon the report and stated that it attempted to improve probity. It was a simple way of allowing stakeholders to see the financial health of the Local Authority at a glance. Best practice from other Authorities had been used in preparing the report. He drew attention to the four areas covered by the report and stated that too much time was spent on management of resources at the expense of other financial forecasts. He added that the report would be freely available to Councillors and members of the public in hard copy and website form.

Councillor Chambers welcomed the report as it contained a great deal of useful information.

Councillor Robertson referred to the inter-acting trends highlighted in the report. James Walsh offered to consider these in greater detail and report back.

Resolved

That the Committee:-

- (1) agrees the set of financial indicators as set out in the report now submitted, having taken account of changes required by the Committee; and
- (2) agrees that the indicator set be published on the Council website on a quarterly basis and that a hard copy of the data be provided to all Members of the Council.

645/09

Corporate Governance Arrangements - Internal Audit Report

A report was submitted:-

(see annexed)

Rebecca Neill (Internal Audit) presented the 2008/09 Internal Audit report into the Council's corporate governance arrangements. This was the first internal audit review of this area. The objectives of the audit were adapted from the CIPFA/SOLACE good governance framework. She drew attention to page 4 of Appendix 1 to the report and highlighted the fact that corporate governance arrangements had received a significant assurance audit opinion. The report had been considered by CMT on 24th September, 2009 which had asked that the report be presented to this Committee and Cabinet for consideration.

Councillor Chambers referred to page 6 of Appendix 1 to the report and to the summary of findings. He drew attention to scheme of delegation and reserve powers; standard of conduct (Members and officers) and communication between the Council and stakeholders which had all received only limited assurance. Rebecca Neill explained that based on the findings within these areas, only a limited assurance opinion could be given.

Councillor Robertson referred to page 10 of the Appendix to the report and to the undertaking of joint workforce planning. He referred to the fact that the responsibility had been given to the vacant Head of HR and Development. Rebecca Neill (Internal Audit) reported that a senior officer would be acting up until a new Head of HR was appointed. She added that all Executive Directors had received the report and it would be implemented by April, 2010. CMT had been made aware of this too.

After further discussion it was,

Resolved

That the Committee:-

- (1) endorses the contents of the report;
- (2) agrees that a follow up report, detailing Manager's confirmation that they have implemented the agreed actions, be presented to the Committee for consideration; and
- (3) requests a response to the risks attached to the vacant post in Human Resources.

646/09

Tackling Fraud and Corruption (to include money laundering)

James Walsh reported that robust policies and strategies were in place to tackle fraud and corruption. The recession was providing temptation for people to be more unlawful so the Authority had to be extra vigilant. He indicated that zero tolerance towards fraud and corruption would be re-iterated strongly so that if it could not be eliminated then at least the risk could be minimised. He added that if Members had any concerns over fraud or corruption then they should raise them with him in the first instance.

Councillor Robertson referred to a number of e-mail scams that were circulating. James Walsh stated that he was aware of them and action was being taken to neutralise them.

Resolved

That the verbal report be noted.

647/09

Private Session

Exclusion of Public

Resolved

That, during consideration of the remaining item on the agenda, the Committee considers that the item for consideration is exempt information by virtue of the appropriate Paragraphs of Part 1 of Schedule 12A of the Local Government Act, 1972, as amended, and accordingly resolves to consider that item in private session.

Summary of item considered in private session

648/09

Internal Audit Activity for the Six Months Ending 30th September, 2009

A report was submitted:-

(see annexed)

Resolved

- (1) That the report and Appendix be noted; and
- (2) That the whistle blowing policy be presented for consideration at the next meeting of the Committee.

(Exempt information under Paragraphs 1, 2 and 7 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)

Termination of meeting

There being no further business, the meeting terminated at 7.30 p.m.

Chairman:

Date: