

AUDIT COMMITTEE - PRIVATE

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

Monday 26 September 2022 at 6.00pm

Held in Conference Room 2, Council House Walsall

Present:

Mr A. Green (Chairman)
Councillor Sohal (Vice – Chairman)
Councillor Bains
Councillor Elson
Councillor Larden
Councillor Mehmi
Councillor Worrall (Substitute)

In attendance

Executive Director - Resources & Transformation
Director – Corporate Finance Performance & Corporate Landlord
Head of Finance - Strategic Planning & Assurance
Head of Finance - Technical and Transactional
Technical Accounting Treasury Management and Educational Finance Manager
Head of Internal Audit (Mazars)
External Audit (Grant Thornton)

18/22 Welcome

The Chair welcomed Members and Officers to the Committee meeting and asked them to introduce themselves.

19/22 Apologies

Apologies were received on behalf of Councillor S.B Hussain and the independent member Sureya Ajaz.

Councillor Worrall substituted for Councillor Nawaz for the duration of this meeting.

20/22 Minutes of the meeting held on 27 June 2022

Resolved (by assent)

That the minutes of the meeting held of the 27 June 2022 be agreed as a true and accurate record.

21/22 Declarations of Interest

There were no declarations of interest for the duration of the meeting.

22/22 Deputations and Petitions

The 'Make Our Road Safer' petition in relation to West Bromwich Street was received by the Committee.

23/22 Local Government (Access to Information) Act, 1985 (as amended)

Resolved (by assent)

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.

24/22 Notification of any issues of importance for consideration at a future meeting

No issues of importance were raised.

25/22 Committee Decision Tracking Chart

The Chair invited the Head of Finance for Strategic Planning and Assurance to outline the current progress within the Committee Decision Tracking Chart.

The Head of Finance for Strategic Planning and Assurance gave a brief overview of the purpose of the chart and explained that items raised by the Committee had been added to the chart and had been set targets dates for completion.

There were no questions from members on this item.

Resolved (by assent)

That the Committee Decision Tracking Chart be noted.

26/22 Statement of Accounts Audit Progress 2021/22

The Chair invited the Technical Accounting Treasury Management and Educational Finance Manager to introduce this item to the Committee.

The Technical Accounting Treasury Management and Educational Finance Manager explained that the Post Audit Statement of Accounts were planned to be present to the Committee at this meeting. However, national standards for accounts and auditing of infrastructure assets was still to be resolved and the Council was still waiting on revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). Therefore, the Post Audit Statement of Accounts would be presented to the Committee in November and this change still enabled the Council to meet the legal deadline for publishing its final audited accounts at the end of November 2022. Finally, the Committee was informed that the majority of the work for the Post Audit Statement of Accounts had been carried out and no material adjustments had been identified at the time of the meeting.

The Chair asked why there seemed to be a contradiction in the delay of the guidance, especially as a temporary measure was sought by CIPFA but was also criticised for not alleviating the concerns around these issues. Furthermore, that the delay in this guidance has meant that the work of the Council and its officers had been delayed. The Technical Accounting Treasury Management and Educational Finance Manager agreed with the Chair that the delay was challenging and that the regional consultation from CIPFA concluded that a quick solution should be found to enable Councils to sign off their accounts this year. The External Auditor (Grant Thornton) added that this was a national issue and that the majority of the work had been completed. Moreover, the reason for a short-term fix proposed by CIPFA not going ahead was due to the Financial Reporting Council not accepting the short-term proposals that CIPFA put forward. Due to this, auditors were waiting for a statutory override from Parliament to be able to finalise the Post Audit Statement of Accounts, however, there was uncertainty as to whether this override would be completed in time for the end of November deadline.

Officers agreed to keep members of the Committee updated on any developments.

A member asked the issues around the audit and accounting of Local Authority assets would be recurring problem. The External Auditor (Grant Thornton) responded that once a solution was found for this issue it would be resolved for future financial years. However, this is why it was important that the solution proposed was correct so that the issue did reoccur in future.

The Chair thanked officers for answering the Committees questions.

Resolved (by assent)

That the Statement of Accounts Audit Progress 2021/22 be noted.

27/22 Internal Audit Progress report 2022/23

The Chair invited the Head of Internal Audit (Mazars) to introduce the report.

The Head of Audit (Mazars) informed the Committee that the information contained within the report laid out all the work completed since the last meeting of the Committee. Furthermore, that the report showed that only nine recommendations from the year 2021/22 had not fully implemented which was a large reduction since the previous meeting.

A member asked why some of the assurance levels found with the 'Summary of Recommendations Raised and Follow Up Status' were labelled both 'Substantial' and 'Limited'. The Head of Internal Audit (Mazars) responded that this was due to the way that assurance was measured, meaning that the designs for the controls were given an assurance level and then they were tested, and this was then given an assurance level.

A member then asked if these recommendations are looked into more, due to having limited tested controls. The Head of Internal (Audit) responded that all high priority recommendations are presented regularly to the Audit Committee and once they are implemented, they are taken off the report and aren't presented the Committee again.

The Chair asked whether that because more audits were being carried out remotely if this was affecting the efficacy or the scope of them. The Head of Internal Audit (Mazars) responded that they didn't believe it was affecting the efficacy or scope of the audits and some schools had requested sites visits and these were dealt with on a case-by-case basis.

The Chair then requested that in the next Internal Audit Report that the planned quarters when audits will be conducted be listed in the report. The Head of Internal Audit (Mazars) responded that this would be possible.

Resolved (by assent)

That the Internal Audit Progress Report 2022/23 be noted.

28/22 Internal Audit Performance (KPI) Report 2022/23: Quarter 1

The Chair invited the Head of Finance – Strategic Planning and Assurance to introduce the report. The Head of Finance – Strategic Planning and Assurance was pleased to inform the Committee that all Key Performance Indicators (KPIs) were on target.

There were no questions raised by members for this item.

Resolved (be assent)

That the Internal Audit Key Performance Indicators (KPI) 2022/23: Quarter 1 be noted.

29/22 Risk Management Update – Strategic Risk Register (SRR2 and SRR7)

The Chair invited the Executive Director for Resources and Transformation to introduce themselves and the report to the Committee.

The Executive Director for Resources and Transformation introduced herself as the officer with the overall responsibility for finance and assurance. Furthermore, that they were the Section 151 (S151) Officer and a key sponsor of the Proud Programme.

The Executive Director for Resources and Transformation explained that the risk around the Proud Program was associated with the Council not delivering transformation. This in turn was a risk because of the work that the programme was carrying out and also that the programme delivering saving through transformation was key to the Councils future financial resilience. However, if the Proud Programme did not exist the Council would still be exposed to similar financial risks as savings would still need to be made. The Proud Programme helped to mitigate those risks as it helped to bring about the transformation necessary to make those savings rather than just cutting services.

The Proud Programme governance was structured around a monthly board meeting chaired by the Chief Executive. The programme also had several work streams, and these were sponsored by executive directors who lead on each work stream. In addition, the savings made through the work streams were monitored and the Council's standard financial monitoring applies to the programme. Concluding the executive Director for Resources and Transformation explained the in their view the Council was in a strong financial position and that the Proud Programme helped to deliver the necessary efficiencies needed to make savings.

The Chair asked if the Proud Programme was subject to any scrutiny or scrutiny committee. The Executive Director for Resources and Transformation responded that the programme was subject to scrutiny because the Leader of the Council was the portfolio holder for transformation. In addition, services that were subject to savings agreed by Council and these could be scrutinised by the relevant Scrutiny Committee as part of the financial scrutiny that they carry out. The Chair also asked what the recent changes in the governance of the programme had been. The Executive Director for Resources and Transformation responded that at the end of the PWC strategic partnership in March 2022, some of the work streams within the Proud Programme were reduced. Furthermore, a continuous improvement board was set up in relation

to Adult Social Care directorate and this was incorporated into the governance of the Proud Programme.

The Chair asked that the Committee be provided with the governance structure of the Proud Programme.

The Chair then asked the Executive Director for Resources and Transformation to expand on the proposed Local Government Association (LGA) Peer Review mentioned in the report. The Executive director for Resources and Transformation responded that LGA Peer Review had not started yet, however, a report was going to the Cabinet in October to be agreed. The LGA Peer Review was planned to begin at the start of the 2023 and the Audit Committee would be able to input into the review.

Resolved (by assent)

- That a briefing note be provided to the Committee on the governance structure of the Council's Proud Programme.
- That the Risk Management Update – Strategic Risk Register (SRR2 and SRR7) be noted.

30/22 Risk Management update

The Chair invited the Head of Finance for Strategic Planning and Assurance to introduce the report to the Committee.

The Head of Finance for Strategic Planning and Assurance highlighted the salient points of the report including that all the risks and mitigation factors had been updated, with one of the risks being increased. Furthermore, that a risked labelled Climate Change had been added to the Strategic Risk Register. In addition, that separate work was being carried out on fraud risk management, and once complete this would be included in the risk directory or added onto the Strategic Risk Register as appropriate.

There were still some high-level risks, and these were ongoing. In terms of the risk 'Financial Resilience' there was an expectation that this risk would not decrease and may increase as pressures on the 'cost of living' grew. Specifically, the 'cost of living' was being managed by the Council through: the Corporate Financial Performance Reporting, measuring the impact of rising costs on the ability to deliver services and the budget setting process for the next municipal year.

The Chair then invited members of the Committee to ask questions on this item.

A member asked whether the new strategic risk '11 – Climate Change' was too nebulous and therefore difficult to plan for. The Head of Finance for Strategic Planning and Assurance responded that they did not agree that the risk was too nebulous as there was long period of time in which to mitigate this risk and that further details would be provided in a report to the Cabinet in October 2022.

A member asked why the risk '4A – The Council is unable to maintain statutory service standards to support the most vulnerable in society' score had increased. The Head of Finance for Strategic Planning and Assurance responded that the reason that this risk had increased was due to the increase in the cost of children in care. This increase in cost was putting pressure on the corporate finances.

A discussion around the cost-of-living crisis and whether it should be a separate risk on the Strategic Risk Register took place. From the discussion that took place the Chair recommended to officers that the risks be looked at again and a separate risk added for the cost-of-living crisis. The Head of Finance for Strategic Planning and Assurance responded that changes had already been made by adding a sub-heading for the cost of living to the directorate risk register. In the view of the Head of Finance for Strategic Planning Assurance the cost-of-living should not be a separate risk but should impact each risks score. Furthermore, as this work is being carried out on the directorate risk register it may be decided that the cost-of-living should be a separate risk and this would be discussed with directors and CMT.

The Chair thanked the officers for their responses and asked that the Committee to be updated on the impact of the cost-of-living crisis and the Strategic Risk Register at future meetings.

The Chair also asked why reference to the EU and Brexit were in parts of the risk register. The Director for Corporate Finance Performance & Corporate Landlord responded that at a meeting of the Councils directors, it was noted that Brexit had not had the significant effect on the Council as set out in the Strategic Risk Register and that it would be reviewed in quarter 2.

The Chair asked whether it might be possible for the Committee to look again at the Strategic Risk Register before the planned February meeting. The Head of Finance for Strategic Planning Assurance responded that they would have to consult with officers outside of the meeting to determine whether this would be possible.

Resolved (by assent)

- That officers explore whether the Strategic Risk Register can be presented to the Committee before the planned February 2023 meeting.
- That the Risk Management Update – Strategic Risk Register be noted.

PRIVATE SESSION

31/22 Follow up of Priority 1 Recommendations

The Chair invited the Head of Internal Audit (Mazars) to outline the report.

The Head of Internal Audit (Mazars) highlighted the salient points, including that there were now less high priority recommendations and that these were

being implemented more quickly. Also, there was only one recommendation remaining from the municipal year 2019/20.

A discussion took place around several of the recommendations. The Head of Internal Audit (Mazars) responded by stating that the Development Monitoring Officer had been recruited and would start on the 2 October 2022. Also, that the reason CCTV purchasing was part of the recommendations was due to the level of funds being expended on the purchase of equipment. Finally, the Regulation of Investigatory Powers Act 2000 (RIPA) review went well, and the results were positive.

The Chair asked that a briefing note be supplied to the Committee on the RIPA review findings.

Resolved (by assent)

- That the Committee be provided a briefing note on the outcome of the Regulation for Investigatory Powers Act 2020 (RIPA) review.
- That the Follow up of Priority 1 Recommendations be noted.

32/22 Private Minutes of the meeting held on 27 June 2022

Resolved

That the private minutes of the meeting held of the 27 June 2022 be agreed as a true and accurate record.

There being no further business the meeting terminated at 18:59

Chair.....

Date.....