

AUDIT COMMITTEE

Monday 25th September, 2017, at 6.00 p.m.

Conference Room, Council House, Walsall

Present

Councillor Robertson (Vice-Chairman in the Chair)
Councillor Barker
Councillor Chambers
Councillor Craddock

Mr Green

In attendance

Chief Finance Officer
Head of Finance
Head of Legal & Democratic Services
Internal Audit Manager
Senior Finance Manager
Technical Accounting & Treasury Management Finance Manager
Senior Accounting Officer

Representatives of Ernst & Young

172/17

Welcome / Apologies

The Vice-Chair welcomed all in attendance.

An apology was received on behalf of Councillor Young.

The Chair advised that clarity was required in connection with the reference to Scrutiny as contained within Minute No. 166/17 (Risk Management Update: Corporate Risk Register). Although Risk 11 had been referred to Scrutiny, a number of other matters had also been discussed and associated with this particular risk, which were separate operational matters.

The Clerk, further, sought clarification that the Committee were content with referring only the matter relating to Risk 11 to the relevant Scrutiny Committee for further investigation. Members were content with this course of action.

173/17

Declarations of Interest

None submitted.

174/17 **Deputations and Petitions**

There were no deputations submitted or petitions received.

175/17 **Local Government (Access to Information) Act, 1985 (as amended)**

That, where applicable, 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.

176/17 **Notification of any issues of importance for consideration at a future meeting**

There were no issues raised under this item.

177/17 **Amended Draft Local Code of Governance**

A report was submitted:-

(see annexed)

The Head of Legal and Democratic Services presented the report and highlighted the salient points contained therein.

The report provided the Committee a draft copy of the Amended Draft Local Code of Local Governance for Walsall which would assist and support the production of the Annual Governance Statement for 2017/18 and beyond.

The governance framework was an interrelated system that brought together an underlying set of legislative requirements, governance principles and management processes. The framework was intended to support the Council and demonstrate good governance. The framework itself was not a statutory requirement, but rather a discretionary Code offered to organisations as good practice. The draft local code was based on the Chartered Institute of Public Finance & Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) document 'Delivering Good Governance in Local Government 2016 Edition'.

Members considered the report and the Independent Member stated that he accepted that this document had been lifted from the published document mentioned above, but there was very little mention of engaging staff. He felt that this document should utilise the opportunity to set out how the Council intended to engage its staff. In particular, he felt that the language used on page 14 of the Code, in relation to performance, focused too much on performance and not on development / support for staff.

Furthermore, also on page 14 in relation to the third bullet point from the bottom, he felt that the wording needed to be revisited as it didn't appear, to him, to make too much sense. In addition, on page 16 under the 'Assurance and effective accountability means' heading, he felt that the work of the Council's External Auditor should also be detailed.

The Head of Legal and Democratic Services thanked the Independent Member for his feedback and advised that this document was an overarching document which complemented a suite of other documents with more detailed information to ensure compliance. It was envisaged that this document would be more than something which existed in isolation.

The Independent Member stated that he hoped his views and suggestions would be taken on board when reviewed.

The Head of Legal and Democratic Services and the Chief Finance Officer stated that they would, indeed, consider the matters raised when reviewing the document.

A Member queried if this document would be kept under review. The Head of Legal and Democratic Services advised that this document would sit as part of the Annual Governance Statement and would help the Authority benchmark each year to ensure compliance. This document would, indeed be kept under review.

Resolved that: -

1. the draft Local Code of Governance be endorsed, subject to minor final amendments, for its utilisation with assisting in the assurance gathering process for the Annual Governance Statement.
2. authority be delegated to the Chief Finance Officer and Monitoring Officer to make any final minor amendments to the Local Code and disseminate throughout the organisation, ensuring corporate buy-in and ownership of the Code.

178/17

Internal Audit Progress Report

A report was submitted:-

(see annexed)

The Head of Finance introduced the covering report and the Internal Audit Manager presented the progress report and highlighted the salient points contained therein.

The report provided the Committee with an update on Internal Audit's progress for 2017/18 and performance for quarter one.

A Member queried if there were any updates on any of the outstanding prosecution cases. The Head of Finance provided a verbal update.

Resolved that the contents of the report be noted

179/17

Post – Audit Statement of Accounts 2016/17 including Annual Governance Statement and Audit Findings Report

A report was submitted and responses to 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 presented the Committee with the audited Statement of Accounts along with a summary of these, the council's letter of representation, which the council was required to provide to Ernst and Young, and was required to be signed by the Chief Financial Officer and Chair of the Audit Committee.

Members considered the report and the Vice-Chair queried if the Business Rates Retention Scheme had been operating well since it had commenced in April 2017. The Chief Finance Officer advised that there had not been a significant change in the way the Council had operated. Furthermore, he advised that there was still some uncertainty around the future of the scheme and whether it would continue.

Another Member queried if the Council was no longer required to 'hand over' cheques to the Government, had it improved the Council's cash flow. The Chief Finance Officer advised that it had improved the cash flow somewhat.

The Independent Member, in referring to paragraph 4.2.2.1 of Appendix 1, queried whether this only related to the Better Car Fund and its relationship with the Clinical Commissioning Group rather than with the Black Country Sustainability (STP) and Transformation Programme.

The representative of EY advised that they had mainly looked at the CCG relationship and would be looking at the arrangements.

A Member queried if, in relation to paragraph 4.2.2.4 of Appendix 1, where it stated that EY were '...satisfied that, in all significant respects...' if the arrangements were effective in EY's opinion. The Representative of EY confirmed that the arrangements were adequate.

A Member, in referring to the Pensions section of page 17 on the statement of accounts and the deficit depicted, queried what the likely risk was to the Council that the deficit would increase year on year. The Chief Finance Officer advised that he had attended a recent meeting of the West Midlands Finance Directors at which this matter had been discussed. Whilst the expected longevity of pensions had not progressed as fast as expected, it was hard to predict what might happen. Indeed, the impact of BREXIT may affect how things progress in this regard. He advised that the Council would have to wait and see what the Government intended to do, but it was likely that pooling of pensions would come into play at some point in the future.

A Member referred to the balance sheet reflecting the schools which had become Academies and queried if any other schools were likely to convert. The Senior Finance Manager advised that the majority of secondary schools within the Borough had now become an Academy, whilst only the minority of Primaries had. However, it was difficult to advise whether any more would likely become Academies as it depended upon the Governing Bodies of each school and could be influenced by the outcome of OFSTED inspections.

Resolved that: -

1. the audit findings report from Ernst and Young on their audit of the 2016/17 statement of accounts as well as their key messages (attached to the report at Appendix 1) be received and it be noted that there have been agreed amendments made to the accounts during the audit.
2. the letter of representation (attached to the report at Appendix 2) be endorsed.
3. the post-audit statement of accounts for 2016/17 including the Annual Governance Statement (attached to the report at Appendix 3) be approved.
4. the summary of accounts (attached to the report at Appendix 4) be noted.
5. authority be granted for the Chair of the Committee to sign and date the accounts as required under the Accounts and Audit (England) Regulations 2015.
6. authority be granted for the Chief Financial Officer (CFO) to distribute copies of the audited statement of accounts to partners and stakeholders alongside the Annual Governance Statement 2016/17.

Termination of Meeting

The meeting terminated at 6.40 p.m.

Chair:

Date: