

## **AUDIT COMMITTEE - PRIVATE**

**Monday 21 November 2022 at 6.00pm**

**Held in Conference Room 2, Council House Walsall**

### **Present:**

Mr A. Green (Chairman)

Councillor Larden

Councillor Mehmi

Councillor Nawaz

Sureya Ajaz

### **In attendance**

D. Hindson

S. Darcy

L. Haynes

R. Walley

R. Page

S. Knowles

J. Roberts

A. Reid

Executive Director - Resources & Transformation

Director – Corporate Finance, Performance &  
Corporate Landlord

Head of Finance - Technical and Transactional  
Technical Accounting Treasury Management and  
Educational Finance Manager

Finance Officer

Head of Internal Audit (Mazars)

External Audit (Grant Thornton)

External Audit (Grant Thornton)

### **33/22 Welcome**

The Chair welcomed Members to the Committee and asked them to introduce themselves. The Chair also welcomed Officers to the meeting both in person and online.

### **34/22 Apologies**

Apologies were received on behalf of Councillors B. Bains, S.B. Hussain, and G. Sohal.

### **35/22 Minutes of the meeting held on 26 September 2022**

#### **Resolved**

That the minutes of the meeting held of the 26 September 2022 be agreed as a true and accurate record.

**36/22 Declarations of interest and party whip**

There were no declarations of interest.

**37/22 Deputations and petitions**

There were no deputations submitted or petitions received.

**38/22 Local Government (Access to Information) Act 1985 (as amended)**

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.

**39/22 Notification of any issues of importance for consideration at a future meeting**

No issues of importance were raised.

**40/22 Committee Decision Tracking Chart**

The Chair introduced the committee decision tracking chart to the Committee and briefly explained how it worked for new members.

There were no questions on this item.

**Resolved**

That the Committee Decision Tracking Chart be noted.

**41/22 Annual Report of the Audit Committee 2021/22**

The Director for Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points (annexed) and informed the Committee that the Annual Report included an overview of the attendance and work of the Committee. Furthermore, that the Chair had contributed to the Annual Report which would go on to be presented to full Council.

A member asked if the members of the Committee received training throughout the municipal year. The Director of Corporate Finance, Performance & Corporate Landlord responded training was offered to members throughout the year and officers would welcome feedback on training.

**Resolved**

- That the Committee reviewed the Annual Report, and no further feedback was received.
- That with no further feedback having been received the Annual Report of the Audit Committee 2021/22 be approved and the Vice Chair of the Committee, during 2021/22, present the report to the next meeting of Council.

#### **42/22 Statement of Accounts Audit Progress 2021/22**

The Technical Accounting Treasury Management and Educational Finance Manager introduced the report and highlighted the salient points (annexed) informing the members of the Committee that the report provided an update on the progress of the statement of accounts. The previous progress report informed the Committee that the statement of accounts was delayed due to the lack of guidance on evaluating infrastructure assets. To resolve this the Department for Levelling Up, Housing and Communities had applied for a statutory instrument to provide a statutory override to allow Council's to publish their statement of accounts. The majority of the audit by the external auditors had been completed however there would be a delay until the New Year. Thus, the Council would need to post a late notice message on the Council's website.

The Grant Thornton representative added that the statutory instrument was expected to come into effect on the 25 December 2022 and further work was to be carried out after this. In addition, the value for money section of the audit was complete with the majority of work also completed on significant risks, valuation of land and building assets, and pensions. There were no significant issues with the audit thus far but there had been an update on pension valuations. There were no amendments foreseen.

The Chair expressed his frustration with the delay as it was not the fault of the Council's officers or the external auditors that key documentation was being delayed. The Chair requested that the frustration of the Committee be conveyed by officers to the government. The Chair also expressed concern about continuous problems with pension fund valuation and whether there was any way to resolve this. The external auditors from Grant Thornton responded that not all pension funds related to the Council had been revaluated and that sometimes it was not best to do revaluation early. However, this could be raised through their role as the auditor of the pension fund. Additionally, in this case there was a need to wait for the yearend figures and due to the turbulent economic situation, the stable valuation of pensions had been affected. The Director for Corporate Finance, Performance and Corporate Landlord added that this could be raised with the West Midlands Pension Fund.

A member asked why there were annual governance statement amendments contained within the report. The Chair responded that in the September meeting of the Committee members had requested some amendments and asked for consideration of emergency planning and contingency. There would be an opportunity at the meeting in March 2023 to review and give final approval to the Annual Governance Statement.

### **Resolved**

- The Audit Committee note the progress made to date as set out within the report and note that it is expected the final Post Audit 2021/22 Statement of Accounts and Audit Findings Report will be reported to the March 2023 committee for approval.
- The Audit Committee note the progress report from Grant Thornton.
- The Audit Committee note the updated Annual Governance Statement and note that it is expected that the final Annual Governance Statement will be expected to be reported to the March 2023 meeting for approval.
- That Audit Committee note that to ensure compliance with statutory requirements, a late audit notice will be published on the Council's website by the 30 November 2022 to accompany the draft statement of accounts.

### **43/22 External Audit Annual Report 2021/22**

The External Auditor introduced the report and highlighted the salient points (annexed), first thanking officers for their support with the report. The Committee were informed that the Council was evaluated through best practice and the standards set out by the National Audit Office. In addition, Grant Thornton expressed that the findings were very positive, and no areas of significant improvement were raised. Furthermore, there were less improvement recommendations for this year.

The four improvements recommended in the report were explained in further detail so the public and stakeholders could understand the action being taken by the Council to address them.

The external audit representative added that two of the recommendations were on financial stability and that Council savings plans needed to be put in place earlier. The Council had achieved good savings last year of £20 million, but plans should be made to ensure efficiencies could be made before the new budget was set. Furthermore, the Council should look beyond the Proud Programme for delivering efficiencies and carry out further development of financial performance monitoring.

A member expressed the importance of succession planning for the Audit Committee (recommendation 6). The external audit representative agreed that

it was important to make sure members of the Committee had a controlled tenure as the work of the Committee was technical.

A member asked when the recommendations for improvement were going to be implemented. The Chair echoed this by asking if officers could provide a more precise timetable. The Director of Corporate Finance, Performance & Corporate Landlord responded that this could be taken back to officers for further details.

A member asked if there was a training schedule for members of the Committee. The Director of Corporate Finance, Performance & Corporate Landlord responded that there was a committee training schedule published before the first meeting in the municipal year.

A discussion took place on the third recommendation on contract management. Officers informed members that the Council was in the process of producing a contract register within the procurement team as part of the new Commissioning, Procurement and Contract Management function within the Hub. This register would assist the Council to determine value for money. The Executive Director of Resources & Transformation added that no date for the creation of the team had been set but it had been discussed at Corporate Management Team.

The Chair requested that the timescale and completion dates for the recommendations be provided to the Committee at its next meeting.

The Chair expressed his thanks to the officers and the external auditors for their work and the positive report which showed improvement in the Council financial management.

### **Resolved**

1. That the Committee note the draft Annual Audit Report and management responses to the four improvement recommendations and comments.
2. That the timescale and completion dates for the recommendations be provided to the next Committee.

### **44/22 Internal Audit Progress Report 2022/23**

The Head of Internal Audit presented the salient points of the report, including that: an IT audit was due to take place, all schools audits were a work in progress and would be completed before Christmas and a full audit of 'The Hub' was contained within the report.

Councillor Nawaz declared an interest as a School Governor at Butts Primary School which was one of the schools being audited and therefore contained within the report.

A discussion took place on Section 106 (S106) and its effectiveness at the Council. Officers informed the Committee that an internal board had been set up to improve S106 processes. Internal Audit would then review the new arrangements and provide feedback on its effectiveness.

A member asked whether the internal audit report on the Council's Planning function had been completed. The Head of Internal Audit responded that they had received all the responses from officers and a draft had been completed. The report would be presented to the Committee at the next meeting.

### **Resolved**

That the Committee note the report.

## **45/22 Internal Audit Performance Quarter 2 (KPI) Report 2022/23**

The Chair invited the Director of Corporate Finance, Performance & Corporate Landlord to introduce the report. The Director of Corporate Finance, Performance & Corporate Landlord informed the Committee that some of the measures in the report were targets for the end of the year, but the Council was on target to achieve them. The Head of Internal Audit added that a couple of the measures were not met in quarter 2 due to illness and annual leave, however, both the Council and Mazars continued to strive to meet targets.

### **Resolved**

That the Committee note the report.

## **46/22 Risk Management Strategy Review**

The Director of Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points (annexed), informing the Committee that the internal auditor had been tasked with reviewing the risk management strategy. The report contained improvements and officers were seeking the Committees input before proceeding, in particular in relation to recommendation 1.

The Director of Corporate Finance, Performance & Corporate Landlord confirmed that the Council had looked at what other local authorities did in regard to their risk appetite.

A discussion took place on how different software would be used to add to and maintain the risk register. Officers informed members that there would be a move to a consistent Excel format across directorates.

The Chair expressed his approval that the review had been presented to the Committee at this stage and was more aligned with the directors' view that risk appetite should be divided at a directorship level rather than a whole Council approach. The Chair also expressed a wish for officers to take the idea of a

more collective approach to the risk appetite to a collective workshop or similar body.

**Resolved**

1. That the Committee note the Risk Management Strategy Review.
2. A more collective approach to risk management is taken through a workshop of staff and members to be agreed accordingly

**47/22 Counter Fraud and Corruption Arrangement Update**

The Director of Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points (annexed), informing the Committee that the full report would be presented to the Committee in 2023 and that officers were working on including fraud risk into the risk register.

A member asked if any audits were carried out regarding pandemic funding - The Director of Corporate Finance, Performance & Corporate Landlord stated that a review had been carried out and had shown that systems in place were effective at preventing fraud.

The Chair sort reassurance on the renewal of the external contract with Solihull Metropolitan Borough Council. The Director of Corporate Finance, Performance & Corporate Landlord responded that work was being undertaken by officers ready for a potential renewal and the Committee would be presented with this before the renewal date.

The Chair requested that the internal audit report on the pandemic funding and its spending arrangements be shared with members of the Committee outside of the meeting.

**Resolved**

That the Committee note the Counter Fraud and Corruption Arrangement Update.

**48/22 Overview of Local Audit and Transparency of Local Authority Reporting (Redmond Review) Update**

The Director of Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points (annexed). The Committee were informed that this report provided an update to the Redmond Review and that there had been very little change since the last update. Furthermore, the recommendation that the monitoring officer be invited to external audit meetings had now been implemented at the Council. The Chair expressed his disappointment that financial transparency and reporting part of the Redmond Review had been further delayed.

**Resolved**

That the Committee note the Overview of Local Audit and Transparency of Local Authority Reporting (Redmond Review) Update.

#### **49/22 Report of Grant Thornton Lessons from Public Interest Reports and other Interventions**

The External Auditor presented the report and highlighted the salient points (annexed), he informed the Committee that Grant Thornton had seen a growth in the amount of interest shown in the reports due to further budgetary pressure in local government and more Councils taking financial risks to generate revenue. In addition, that the report should be used by members for information as the report did not refer to Walsall Council directly.

The Director of Corporate Finance, Performance & Corporate Landlord added that the Council had carried out internal reviews previously based on these types of reports from Grant Thornton.

The Chair also added that this report had been presented at the Standards Committee and much of it related to the Audit Committee work. Additionally, that some of the recommendations made were being implemented.

#### **Resolved**

That the Committee note the Report of Grant Thornton Lessons from Public Interest Reports and other Interventions.

#### **50/22 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 the items in private.

#### **51/22 Follow up of Priority 1 Recommendations**

The Head of Internal Audit informed the Committee that there were currently 6 high priority recommendations. In addition, that the new S106 officer had been hired in October and work had begun on improvements in that area.

The Head of Internal Audit clarified that a report on this would be presented to the Committee in March 2023.



**Resolved**

That the Committee note the Follow up of Priority 1 Recommendations.

**52/22 Private Minutes of the meeting held on 26 September 2022.**

**Resolved**

That the private minutes of the meeting held of the 26 September 2022 be agreed as a true and accurate record.

There being no further business, the meeting ended at 19:37