

## **AUDIT COMMITTEE**

**Monday 23<sup>rd</sup> November 2020 at 6.00 p.m.**

### **Virtual meeting via Microsoft Teams**

*Held in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020; and conducted according to the Councils Standing Orders for Remote Meetings and those set out in the Council's Constitution.*

### **Present:**

Mr A. Green  
Councillor. Ali  
Councillor. Johal  
Councillor Robertson  
Councillor Young

### **Officers**

Interim Executive Director – Resources and Transformation  
Interim Director of Finance, Corporate Performance Management and Corporate Landlord  
Interim Head of Finance - Corporate  
Finance Manager - Technical Accounting and Treasury Management  
Senior Accountancy Officer

Representative of Mazars  
Representatives of Grant Thornton (GT)

### **Welcome**

At this point in the meeting, the Chair opened the meeting by welcoming everyone, and explaining the rules of procedure and legal context in which the meeting was being held. He also directed members of the public viewing the meeting to the papers, which could be found on the Council's Committee Management Information system (CMIS) webpage.

Members confirmed that they could both see and hear the proceedings.

37/20      **Welcome/Apologies**

The Chair welcomed all in attendance and asked everyone present to introduce themselves. There were no apologies submitted for the duration of the meeting.

38/20      **Minutes**

A copy of the minutes of the meeting held on 27<sup>th</sup> July 2020, were submitted:-

(see annexed)

**Resolved**

**That the minutes of the meeting held on 27<sup>th</sup> July, 2020 a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.**

39/20      **Declarations of Interest**

There were no declarations of interest.

40/20      **Deputations and Petitions**

There were no deputations submitted or petitions received.

41/20      **Local Government (Access to Information) Act, 1985 (as amended)**

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

42/20      **Notification of any issues of importance for consideration at a future meeting**

There were no issues raised under this item.

43/20      **Local Government (Access to Information) Act, 1985 (as amended)**

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

44/20 **Committee Work Programme A**

report was submitted:

The Interim Director of Finance presented the report and highlighted the salient points contained therein.

The Audit Committee work programme had been updated as a result of the Coronavirus regulations which had led to a change in the statutory reporting timescales for the Statement of Accounts. The Committee were assured that despite the rescheduling of certain items, all core items would remain within the work programme and this had been indicated within the report.

**Resolved that: -**

- 1. The remit of the Audit Committee be noted.**
- 2. The proposed work Programme for 2020/21 be approved.**

45/20 **Committee Decision Tracking Chart**

A report was submitted:

(see annexed)

The Chair presented the report and highlighted the salient points contained therein. This report provided the Audit Committee with a chart tracking all of its decisions for which a follow-up was required, to enable Members to monitor any outstanding actions and seek updates at future meetings where applicable.

Resolved that the report be noted.

46/20 **Review of the Effectiveness of the Audit Committee and Update**

A report was submitted:

(see annexed)

The interim Head of Finance presented the report and highlighted the salient points contained therein.

The report followed on from the previous year's review of the effectiveness of Audit Committee and provided the Committee with an updated effectiveness checklist and a summary of identified actions arising from that review for consideration

The Committee were asked to consider areas for further review and consideration at paragraph 4.2 of the report. Members discussed the feasibility of number 16, in view of the fact that the committee membership is subject to change each year. The potential to hold a separate session for deliberation of this issue was agreed. Members also agreed that it would be beneficial for Elected Members to discuss the continuity of committee membership with respective Leaders. The Chair requested that the Interim Executive Director, the Interim Director of Finance, and the Interim Head of Finance raise this issue in an Officer forum.

The Committee discussed questions 19 and 23 and it was agreed that these questions were difficult for the Committee to answer. It was suggested that other stakeholders within the Council and Officers, who regularly attend the Committee, views could be sought on these issues. A Member suggested that a separate session (training session) was held, once Elected Members had raised this with respective Leaders

**Resolved that:-**

- 1. The Review of the Effectiveness of the Audit Committee and Update report be noted.**
- 2. Elected Members discuss the continuity of Membership with their respective Leaders and**
- 3. Officers raise the issue of continuity of Membership, within the Officer forum.**
- 4. The questions listed at paragraph 4.2 of the report, be considered during a future training session.**

47/20

**Internal Audit Progress Report 2020/21 & KPI's**

A report was submitted:

(see annexed)

The interim Head of Finance presented the report and highlighted the salient points contained therein. The report provided an update to Audit Committee on Internal Audit's progress against the 2020/21 audit plan as at the end of quarter 2 and performance against contract KPI's and provided an update on proposed changes to a number of KPI's.

The Committee's attention was drawn to the information contained within paragraph 6.5 of the report, which detailed the renewal of the internal

audit contract. As part of this renewal, the KPI's as part of the contract had been reviewed and some minor changes had been suggested and these were detailed at appendix 1.

The interim Head of Finance clarified that the amendment to KPI's was intended to provide more flexibility in work streams and allow dialogue with service areas on an individual basis, which was sometimes stifled by the current KPI's. In response to a number of queries from the Chair, The interim Head of Finance agreed to revise the wording to include a 'maximum period' within the KPI to ensure accountability.

A Member asked for assurance that the provision of one phone line for 'an audit and confidential reporting hotline' did not deter people from reporting confidential issues. The Head of Internal Audit stated that there was a process followed in the case of a confidential reporting issue. It was also stressed that there was also a webpage available for confidential reporting, which was the main route of contact. A Member asked, for added assurance, for the Committee to be provided with statistics in relation to the number of contacts via the phone and via the webpage.

The Head of Internal Audit spoke to the second part of the report – the internal audit progress report and set out the salient points contained within the report. The Committee was assured that any scope limitations would be reported to the Committee due to the Covid-19 pandemic; however, this was not the case at the current time.

**Resolved that: -**

**1. The Internal Audit Progress Report 2020/21 & KPI's be noted 2. To amend the revised KPI wording to include a 'maximum period'.**

48/20

### **Risk Management update – Strategic Risk Register (SRR)**

A report was submitted:-

(see annexed)

The Head of Internal Audit presented the report and highlighted the salient points contained within. The purpose of this report was to update Audit Committee with regards to recent risk management activity including the update for the Covid-19 related strategic risk section of the Strategic Risk Register (SRR). The Committee were assured that an updated 'Strategic Risk Register' would be presented to the Committee at its next meeting.

Members considered the report, and suggested that it would be beneficial for the Audit Committee to be able to seek assurance that controls were working effectively. The interim Head of Finance suggested that Lead Officers could be invited to provide an update on particular risks for assurance.

The Committee asked for assurance that measures were in place to plan for the Brexit transition period. The Interim Executive Director assured the Committee that CMT were preparing for the transition period, despite the uncertainty around what was being planned for. It was acknowledged that the Authority needed to increase its oversight of this and that this would be happening. Members requested a specific briefing, on Brexit preparedness, to Audit Committee Members prior to the end of December 2020.

The Chair noted that assurance's need to be documented more carefully in the Strategic Risk Register in future.

**Resolved that: -**

- 1. The Strategic Risk Register be considered by the Committee in January 2021 (to include the full record on Brexit transition arrangements).**
- 2. A briefing note be sent to committee members on the Brexit transition (risk management) arrangements.**

49/20

**Post – Audit Statement of Accounts 2019/20 including Audit Findings Report**

The Finance Manager presented the report and highlighted the salient points contained within.

(see annexed).

This report presented the audited Statement of Accounts along with a summary of these. The report also includes Grant Thornton's Audit Findings report on the authority's accounts, including the Council's letter of representation, which the Council was required to provide to Grant Thornton, and to be signed by the Chief Financial Officer and Chair of the Audit Committee.

It was stated that Grant Thornton had conducted their IT review earlier in the year, and this had highlighted a number of issues, which were highlighted in the report. In response to challenge, Officers assured the Committee that actions within the 'IT controls review' had been completed internally, and had all been implemented. The Chair stated

that he was seeking independent assurance, and asked for clarification on how this could be achieved. The interim Head of Finance stated that the internal audit would carry out reviews of internal control systems, and any control weaknesses would be reported. It would be ensured that external work that Grant Thornton carried out was shared with internal audit. The IT audit was an ongoing review that external auditors carried out on an annual basis. The points would be tested internally, as part of internal audits review of key systems, and externally as part of the 2020/21 accounts.

The Grant Thornton representative highlighted the key points of the Audit Findings report to the Committee. The impact of the Covid-19 pandemic was discussed, in particular the valuation of pension liabilities and the valuation around buildings, this was due to material uncertainty. The 'emphasis of matter' draws attention to these issues. It was noted that this would be expected for most Local Authorities in the current climate. Grant Thornton had not identified any adjustments that affected the bottom line of the budget. A balanced budget had been set for 2020/21 with the need for £53 million savings, including £23.5 million of potential Covid related costs/loss of income, over the following two years to 2022/23.

The Chair proposed thanks to the Finance Team and the Auditors for the work that had taken place to ensure that requirements had been met during the pandemic.

Once concluded the Chair requested that the final version of the Audit Findings report was circulated to Audit Committee Members.

The Interim Executive Director stated that budget monitoring reports taken to Cabinet, and an updated financial position was regularly monitored. However, the ongoing financial effects of Covid-19 were concerning and uncertain. It was stated that the Accounts of any Local Authority were an important position statement, and the Finance Team, Audit Team and the Audit Committee were thanked for their contribution to this process.

After discussion, it was agreed that paragraph 167 contained within the report, in relation to the Brexit transition period, be amended by officers, and agreed by the Chair, to include more information more specific to Walsall.

**Resolved that: -**

- 1. The audit findings report from Grant Thornton on their audit of the 2019/20 statement of accounts and consider the key messages**

- (Appendix 1) be noted and be noted that there have been agreed amendments made to the accounts during the audit.
2. The post-audit statement of accounts for 2019/20 (Appendix 2) including the annual governance statement, be noted and approved.
  3. The summary of accounts be noted (Appendix 3).
  4. The letter of representation be agreed (Appendix 4).
  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 2019/20.
  7. Paragraph 167 be amended by Officers, and authority granted for the Chair to agree the final version before publication.

50/20

### **Private session**

Exclusion of Public

### **Resolved**

That, during consideration of the next item on the agenda, the Committee considers that the item for consideration is exempt information for the reasons set out therein and Section 100A of the Local Government Act, 1972, and accordingly resolves to consider that item in private.

51/20

Follow up of Priority 1 Recommendations

A report was submitted.

(See annexed)

### **Resolved**

**That a further report on Priority 1's be considered at the next meeting of Audit Committee.**

(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 7.30 p.m.

Chair.....Date.....