

## **AUDIT COMMITTEE**

**Monday 27<sup>th</sup> June, 2016, at 6.00 p.m.**

**Conference Room, Council House, Walsall**

### **Present**

Mr F Bell (Chairman and Independent Member)  
Councillor Chambers (Vice-Chairman)  
Councillor Harris  
Councillor Robertson  
Councillor Washbrook  
Councillor Young

### **In attendance**

Head of Finance

Representative from Mazars  
Representative from Ernst & Young

#### **37/16 Welcome / Apologies**

Apologies were submitted on behalf of Councillor Craddock and Mr Green.

Further to Minute Nos 1206/14 and 1277/15, the Chair welcomed the newer Members to the first meeting of the Committee and reminded all that there was an expectation that everyone should have read their papers in advance of the meeting. In addition, he would not expect any of the Committee's meetings to last beyond 8.00 pm.

#### **38/16 Minutes**

The minutes of the meeting held on 18<sup>th</sup> April, 2016, were submitted:-

(see annexed)

### **Resolved**

That the minutes of the meeting held on 18<sup>th</sup> April, 2016, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

#### **39/16 Declarations of Interest**

None submitted.

40/16      **Deputations and Petitions**

There were no deputations submitted or petitions received.

41/16      **Local Government (Access to Information) Act, 1985 (as amended)**

**Resolved**

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.

42/16      **Notification of any issues of importance for consideration at a future meeting**

There were no issues highlighted.

43/16      **The Proposed Remit of the Audit Committee and Draft Work Plan 2016/17**

A report was submitted:-

(see annexed)

The Head of Finance presented the report and highlighted the salient points contained therein. In addition, she highlighted that training would be offered to all Members, but particularly the newer Members, in relation to the many aspects of work undertaken by the Committee. Members would be contacted on this matter in due course.

Members considered the report which outlined the Audit Committee's remit as well as setting out the draft work plan for the 2016/17 Municipal Year.

**Resolved** that: -

1. the Committee's remit be noted;
2. the work plan for 2016/17 be approved.

44/16      **Financial Health Indicators 2015/16 and Medium Term Financial Strategy and Capital Strategy Update**

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein.

Members considered the report which detailed the financial health indicators for the year ending 31<sup>st</sup> March, 2016, as shown at Appendix 1 to the report, including the pre-audit year end outturn position for both revenue and capital. The report also set out the annual update to the medium term financial strategy (MTFS) and capital strategy.

**Resolved** that: -

1. the financial health indicators be noted;
2. the changes to the medium term financial strategy (MTFS) and capital strategy, the framework within which the council's financial planning and management is undertaken, be noted.

45/16

### **Treasury Management Annual Report 2015/16**

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein.

Members considered the report which sets out Walsall Council's treasury management annual report for 2015/16 as required by the CIPFA Code of Practice, as attached at Appendix A to the report.

Members sought assurance that the interest rates were at a reasonable level and the level of savings achieved by the LOBO (Lender Option Borrower Option) repayment.

**Resolved** that the treasury management annual report for 2015/16, as set out in Appendix A to the report, be approved and recommended to Council.

46/16

### **Internal Audit Progress Report for the Year Ending 31 March 2016**

A report was submitted:-

(see annexed)

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

Members considered the report which provided the Committee with an update on Internal Audit's progress for 2015/16.

A Member queried what the latest position was in relation to 'personal budgets'. The Head of Finance reported that there was a follow up report on this matter due in 2016/17 which would be notified to the Committee as a matter of course.

Another Member queried if once schools became an academy that they were no longer the responsibility of the Council. The Head of Finance clarified that this was correct.

**Resolved** that the report be noted.

47/16 **Internal Audit Opinion 2015/16**

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein.

Members considered the report which detailed the Opinion on the Council's Internal Control Environment 2015/16, as attached to the report at Appendix 1. During the course of 2015/16, the internal Audit service was outsourced and the work transferred to Mazars LLP. At the time of writing this report the Head of internal Audit had left, therefore the conclusion on the opinion on the internal control environment was based purely on the work undertaken by the internal audit service prior to transfer.

**Resolved** that the report be noted.

48/16 **Annual Review of Effectiveness of the System Internal Control and the Draft Annual Governance Statement (AGS) 2015/16**

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein. In doing so, he reiterated that the AGS would be presented again to the September meeting of the Committee for approval.

Members considered the report which detailed the findings and recommendations of the review of the effectiveness of the council's system of internal control, for consideration by Audit Committee.

This review supported the production of the AGS for 2015/16 and required Audit Committee approval prior to publication alongside the post-audit Annual Statement of Accounts (SOA), in September 2016. CIPFA recommend that it was good practice for Audit Committee to receive the

draft AGS before or during the audit of the accounts to enable Audit Committee to raise any points which it felt may need to be addressed prior to formal approval in September. As such, the AGS was being provided in draft to the Committee alongside the pre-audit SOA.

The AGS was drafted, assurances were evaluated and supporting evidence gathered. The outcome of this process was a conclusion that the effectiveness of the system of internal control was adequate overall.

Members queried the impact on the number of FOI (Freedom of Information) requests and the Council's obligations to respond under the Act. In relation to this, The Head of Finance agreed to provide some further information on this matter to Members.

**Resolved** that the report be noted.

1. the findings and recommendations arising from the annual effectiveness review of the system of internal control, as contained within the report, be received.
2. the draft Annual Governance Statement (AGS) be approved for publication alongside the pre-audit Statement of Accounts.
3. it be noted that the final AGS will be presented to Members for approval in September, alongside the post-audit Statement of Accounts.
4. it be noted that the final AGS will be updated as necessary for any changes or findings as a result of the audit of the AGS and Accounts over the summer period.

49/16

### **Pre–Audit Draft Statement of Accounts 2015/16**

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein. In doing so, he reiterated that the Statement of Accounts would be presented again to the September meeting of the Committee for approval.

Members considered the report which detailed the pre-audit draft Statement of Accounts along with a summary of findings for the financial year 2015/16.

The Chair explained, for the benefit of the newer Committee Members, that the signing off of the SOA (Statement of Accounts) was a complex process. The Committee had adopted the process of seeking questions specifically

related to the SOA in advance of the meeting to aid Officers in providing a response at the meeting rather than having to investigate and report back.

A Member referred to the details around the workforce provided within the report had no breakdown in terms of where people were employed within which functional areas etc... He advised that such a breakdown of the figures would be useful.

The Vice-Chair agreed that this information would be useful, especially when read in conjunction with the summary which would provide a good insight into how and where the Council spends its money.

Members also sought assurance around risk management, the medium term financial strategy and the potential impact of the Combined Authority.

**Resolved** that: -

- 1 the pre-audit draft Statement of Accounts for 2015/16, as set out at Appendix 1 to the report, be noted;
- 2 that the summary of Accounts, as set out at Appendix 2 to the report, be noted

50/16

### **Annual Report of the Audit Committee 2015/16**

A report was submitted:-

(see annexed)

The Chief Finance Officer presented the report and highlighted the salient points contained therein.

Members considered the report which presented the proposed Annual Report of the Audit Committee 2015/16 and sought approval for the Vice-Chair of the Audit Committee to present it to Council.

**Resolved** that Annual Report of the Audit Committee 2015/16 be approved and presented by the Vice-Chair of the Audit Committee to the next meeting of the Council.

51/16

### **Understanding how the Audit Committee gains Assurance from Management**

A report was submitted:-

(see annexed)

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

Members considered the report which detailed that Auditing arrangements required Ernst Young (EY) (the Council's external auditors) to formally update their understanding of management's processes and arrangements annually. As part of their work EY were required to obtain an understanding of management processes and the Audit Committee's oversight of these including: -

- The risk that the financial statements may be materially misstated;
- Fraud, including identifying and responding to the risks of fraud;
- Compliance with laws and regulations;
- internal controls and breaches thereof;
- Adopting a going concern basis.

EY had now formally written to the Audit Committee, the Monitoring Officer (MO) and to the Chief Finance Officer (CFO). Draft responses from the MO and CFO (on behalf of management) had been prepared and were attached to the report, along with a draft response from Audit Committee, which was subject to the Committees comments, review and amendments.

A Member highlighted a typographical error on page 6 of Appendix 1.

**Resolved** that: -

- 1 the management responses to the series of question set out in the letters attached to the report from the Chief Finance Officer (as set out in Appendix 1) and Monitoring Officer (as set out in Appendix 2) be endorsed.
2. the draft response from the Audit Committee be agreed for return to Ernst and Young, as set out Appendix 3.

52/16

### **Internal Audit Progress Report 2016/17**

A report was submitted:-

(see annexed)

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

Members considered the report which provided the Committee with an update on Internal Audit's progress for 2016/17.

Members gained assurances that the recommendations which were still outstanding would be followed up in due course.

The Vice-Chair indicated that he would wish to see the continuance of Member involvement in certain 'Audit report Sign-offs' for which they have volunteered to be involved.

A Member enquired if it was within the Committee's remit to look into the Gala Baths overspend. The Chief Finance Officer advised that the Committee could look at the systems of control governing the processes on this matter and would look to build it into the work programme if so desired by the Committee.

**Resolved** that the report be noted.

53/16

**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.

54/16

**Internal Audit Unplanned Activity Report 2015/16**

A report was submitted:-

(see annexed)

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

Members considered the report which summarised Internal Audit's unplanned audit work for the year ending March, 2016.

A Member suggested a revision to the current report format to make newer updates clearer.

Members sought an update on a particular issue contained within the report.

**Resolved** that the report be noted.

(Exempt information by virtue of Paragraphs 1, 2, 3 and 7 of Part I of Schedule 12A of the Local Government Act, 1972) (as amended)



**Termination of Meeting**

The meeting terminated at 7.10 p.m.

Chair: .....

Date: .....