

AUDIT COMMITTEE

Thursday, 25th June, 2009 at 6.00 p.m.

Conference Room at the Council House, Walsall

Present

Councillor Martin (Chairman)
Councillor Rochelle (Vice-Chairman)
Councillor Ault
Councillor Chambers
Councillor Robertson
Councillor Sears
Ms. K.M. McLeod (Independent Member)

598/09 **Welcome to new Members**

The Chairman extended a welcome to new Members of the Audit Committee.

599/09 **Vote of thanks to Councillor Turner**

The Chairman suggested that a vote of thanks should be recorded for the services of the former Chairman, Councillor Turner. Members endorsed these comments.

600/09 **Apology**

An apology for non-attendance at the meeting was submitted on behalf of Councillor Mrs. D. Shires.

601/09 **Minutes**

Resolved

That the minutes of the meeting held on 28th April, 2009, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

602/09 **Declarations of Interest**

There were no declarations of interest.

603/09 **Deputations and Petitions**

No deputations were received or petitions submitted.

604/09 **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.

605/09 **Walsall Performance Framework**

A report was submitted:-

(see annexed)

The Acting Manager of Corporate Performance Management (Helen Dudson) enlarged upon the report and circulated a revised copy of the Appendix which incorporated amendments made by the Corporate Management Team:-

(see annexed)

She referred to the change in name from the Corporate Integrated Planning and Performance Framework to the Walsall Performance Framework. She drew attention to a number of changes to the text and asked if there were any questions.

Councillor Robertson asked why compact organisations had not been mentioned as the voluntary sector had a vital role to play in the Council's future actions.

Helen Dudson agreed to take this comment on board.

Resolved

That the Walsall Performance Framework, as amended, be approved.

Accounting Policies 2008/09

A report was submitted:-

(see annexed)

The Corporate Finance Manager (Dan Mortiboys) advised upon the report and drew attention to the changes to accounting policies. He also referred to Appendix 2 to the report and to the United Kingdom Generally Accepted Accounting Policies (UKGAAP).

Councillor Chambers asked about compliance with the policies and what controls were in place to ensure adequate compliance. Dan Mortiboys replied that the external auditors, Grant Thornton, ensured that the Council were compliant.

Vicky Buckley confirmed that controls were in place to ensure that the Council complied with accounting policies.

Kyla Bellinghall of Grant Thornton, stated that her organisation would report any adjustments needed. Grant Thornton would test for compliance and report whether accounting policies had been complied with to the September meeting of the Committee.

Councillor Robertson referred to the fact that the Council was the accountable body for a number of partner organisations. He asked how the Council would allow for risk. Vicky Buckley replied that this would be covered by the Accountable Body Agreement which could be amended as necessary.

Councillor Robertson referred to pensions and to the fact that some Councils had invested in low earning rather than high earning schemes which was having an impact on yields. Vicky Buckley replied that Wolverhampton City Council administered the West Midlands Local Government Pension Scheme. She advised she was not aware that this was an issue in the West Midlands but would check this out.

Councillor Robertson referred to the delay in providing leases to Community Associations and asked if this would impact on accounting policies. Dan Mortiboys replied that the policies dealt with existing leases that were already in place rather than new ones being negotiated.

Councillor Ault referred to the changes due to amendment of financial reporting standard 17 into policy 8 and asked if this would have a financial impact. Dan Mortiboys replied that there would be a difference of £430,000. He added that this would be referred to further at the meeting to be held on 29th June, 2009.

Councillor Martin referred to the writing off of debt and asked if the Council had trade indemnity insurance. Vicky Buckley agreed to check this and report back.

Resolved

That the Committee:-

- (1) approves the use of the accounting policies contained in the report for the financial year 2008/09;
- (2) notes the changes in accounting standards.

607/09

The Roles and Responsibilities of the Audit Committee

A report was submitted:-

(see annexed)

The Chief Internal Auditor (David Blacker) enlarged upon the report and drew attention to the remit of the Committee set out on page 3. He also referred to the proposed work programme contained in the Appendix to the report for which he was seeking the Committee's comments and approval.

Councillor Robertson requested that as many reports as possible be considered in public session. David Blacker confirmed that officers put as many reports as possible in the public domain and those considered in private would have to comply with the exempt information provisions shown in Schedule 12A to the Local Government Act, 1972 (as amended).

Councillor Martin reminded Members of the need to remain non-political when discussing items and of the training opportunities for Committee Members. She referred to the report submitted to Cabinet on European Funding and asked if Audit Committee would be given the opportunity to consider it. David Blacker suggested that a report could be submitted to the next ordinary meeting of the Committee.

After further discussion it was,

Resolved

That the Committee:-

- (1) notes the contents of the report and approves the workplan set out in the Appendix to the report;

- (2) agrees that the report on European Funding be submitted to the next ordinary meeting of the Committee, or to a special meeting on a date to be arranged, if considered appropriate.

608/09

Internal Audit Activity for the Year Ending 31st March, 2009

A report was submitted:-

(see annexed)

The Chief Internal Auditor (David Blacker) enlarged upon the report and stated that it presented Internal Audit's activity for the year ending 31st March, 2009. He referred to the table on page 2 of the report which showed performance against targets. He was pleased to report that all performance targets had been achieved.

Referring to agreed audit report action plans implemented, David Blacker reported that an overall level of 75% against targets of 95% for 1* and 2* actions and 100% for 3* actions was disappointing. However, managers had reported that in a number of instances, they had fully or partly implemented agreed actions but these had not been completely successful in addressing control weaknesses identified. He added that the matter had been considered by Corporate Management Team and would be a regular item on their agenda with a view to achieving the agreed levels. The Chief Executive had made it clear that Executive Directors would be expected to take personal responsibility for the delivery of the necessary outcomes.

Councillor Robertson expressed concern that the percentage remained static, despite the extent of follow-up arrangements in place. He hoped it would increase to 100% as quickly as possible.

Councillor Chambers referred to Appendix 3 to the report and to the number of vacancies in Internal Audit. David Blacker reported that currently, he had two full time posts and one part time post vacant. He had recently filled an Auditor and Assistant Auditor post.

Councillor Chambers asked if funding was available for these posts. David Blacker confirmed that the funding was available but it was very difficult to recruit Audit staff at present. He was able to call upon the services of a contracted private company to help with the workload.

Councillor Martin asked if attempts would be made to fill the remaining vacancies. David Blacker reported that he hoped to fill the vacancies within the next three months.

Councillor Martin asked whether discipline was strong within the organisation to ensure recommendations were implemented. Vicky Buckley replied that officers were confident that a major improvement would be achieved as targets had been increased to 100% for 3 star and 95% for 2 and 1 star recommendations. Achieving the revised targets would be included in managers' IPMs to ensure the necessary action was carried out. She added that the Chief Executive wanted to see an immediate improvement as he did not wish to be called before the Committee.

After further discussion it was,

Resolved

That the Committee:-

- (1) notes that in 2008/09, Internal Audit has delivered on all of its performance targets, maintaining a high level of overall performance for the year;
- (2) selects the following completed audit reports for scrutiny:-
 - (a) Catering establishments;
 - (b) Leighswood Children's Centre.

609/09

Annual report of the Chief Internal Auditor on the overall adequacies of the internal control environment

A report was submitted:-

(see annexed)

The Chief Internal Auditor (David Blacker) enlarged upon the report and stated that the work of internal audit and its annual opinion contributed to the annual governance statement (AGS). He drew attention to page 3 of the report and confirmed that based on the work undertaken for the year, a satisfactory level of assurance could be given. He added that in terms of work standard, external audit considered that internal audit provided an independent and effective service and in compliance with the CIPFA Code of Practice for internal audit.

Referring to the recommendation made in relation to the implementation of agreed audit report actions by managers, he stated that, as referred to during discussion of the earlier report, this was being addressed.

In drawing attention to the Appendices to the report, David Blacker reported that fraud and irregularity matters were reported to Committee on a quarterly basis. None were considered material for AGS purposes.

Councillor Chambers expressed concern at the lack of monitoring of the Serco contract. The Head of Corporate Finance (Vicky Buckley) indicated that this matter would be investigated and reported back.

Councillor Robertson referred to the fact that 4 of the 5 Directorates maintained a register of decisions taken by officers under delegated powers. He asked why the fifth did not do so. David Blacker replied that this arose because the delegations were not clear. He added that they had recently been subject to review and consideration by this Committee. Vicky Buckley confirmed that revised delegations had been approved at the Adjourned Council meeting in May.

Councillor Chambers commented that it was a matter of compliance again.

Councillor Martin referred to page 7 of the report regarding advice and consultancy. She drew attention to the fact that during the year ending 31st March, 2009, 360 responses to requests for advice had been provided. She suggested that a list of frequently asked questions should be included on Internal Audit's website. David Blacker agreed to look at this possibility but indicated that officers preferred to speak to Internal Audit directly with their queries. He added that greater clarification would be provided by the procurement code.

Resolved

That the report be noted.

610/09

Statement of Accounts 2008/09 - Annual Governance Statement and review of effectiveness

A report was submitted:-

(see annexed)

The Head of Corporate Finance (Vicky Buckley) enlarged upon the report and advised that the annual governance statement would be included in the statement of accounts following approval at the meeting tonight. She drew attention to Appendices 1 - 3 of the report and stated that Internal Audit carried out a self-assessment as part of the assurance gathering process.

Referring to Appendix 2 to the report, Vicky Buckley drew particular attention to recommendation 12 on page 18 and indicated that it would be completed by the end of July, 2009.

Referring to Appendix 3(a), Vicky Buckley reported that a self-assessment exercise had been carried out in October, 2008 by Audit Committee and an action plan agreed.

Referring to Appendix 6 - Annual Governance Statement 2008/9 - Vicky Buckley drew particular attention to Section 4 and the key aspects of assurance. She indicated that agreed actions were in place and governance was effective overall.

With reference to Section 5 - Significant Governance Issues - Vicky Buckley drew attention to the fact that the identification, analysis and management of risks for the delivery of its objectives were key to maintaining an effective system of internal control. She added that it was recognised that the internal control procedures needed to be embedded across the organisation. She confirmed that the Leader, Chief Executive and Chief Finance Officer had signed to approve the statement.

Councillor Robertson referred to the investigation into neighbourhood renewal fund on page 46 of the report. David Blacker replied that it formed part of the normal workload of Internal Audit.

Councillor Chambers stated that a request had been made for this to be considered by the Children and Young People Scrutiny and Performance Panel.

Kate McLeod referred to page 30 of the report and to point 13 regarding working in partnership. She asked if a partnership was defined. Vicky Buckley replied that the partnership toolkit set out what a partnership is. It did not include contractual arrangements, such as with Serco.

Councillor Martin referred to shared service arrangements. Vicky Buckley replied that the Council did not have any at present but they would most likely be regarded as contractual relationships.

Resolved

That the Committee:-

- (1) approves the findings and recommendations arising from the annual governance effectiveness review, including the review of the system of Internal Audit (Appendix 1, 2, 3a and 3b refers) and internal control (Appendices 4, 5a and 5b refer) as contained in the report now submitted;
- (2) approves the annual governance statement as set out in Appendix 6 to the report now submitted.

611/09

Private Session

Exclusion of Public

Resolved

That, during consideration of the remaining item on the agenda, the Committee considers that the item for consideration is exempt information by virtue of the appropriate Paragraphs of Part 1 of Schedule 12A of the Local Government Act, 1972, as amended, and accordingly resolves to consider that item in private session.

612/09

Internal Audit Activity for the Year Ending 31st March, 2009

A report was submitted:-

(see annexed)

The Chief Internal Auditor (David Blacker) enlarged upon the report and drew attention to the work on irregularity. He indicated that the number of days spent on irregularity, 718 rather than 847, had been slightly less than anticipated which had helped in coping with the workload allocated to vacant posts within Internal Audit.

Councillor Chambers referred to the 135 days spent on assisting with Police investigations. David Blacker reported that following the Police investigation, no evidence of criminal activity was found.

After further discussion it was,

Resolved

That the report and Appendix be noted.

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

Termination of meeting

There being no further business, the meeting terminated at 7.40 p.m.

Chairman:

Date:

