

AUDIT COMMITTEE

Tuesday, 8th December, 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 Mrs. D. Shires

649/09

Apologies

Apologies for non-attendance were submitted on behalf of Councillor Sears and Kate McLeod (Independent Member).

650/09

Minutes

Resolved

That the minutes of the meeting held on 27th October, 2009, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record.

651/09

Tackling fraud

Councillor Martin referred to a breakfast meeting held at KPMG at which a document entitled '10 To Do's for Audit Committee' was discussed. It was reported that the document would be referred to a future meeting of the Committee. She added that all Section 151 officers had received a survey from the Audit Commission regarding fraud. The findings of the survey would be referred back to a future meeting of the Committee.

652/09

Declarations of Interest

There were no declarations of interest.

653/09 **Deputations and Petitions**

No deputations were received or petitions submitted.

654/09 **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.

Non-Executive Functions

655/09 **Presentation on Risks 35 and 51 - Building Schools for the Future**

Alison Butcher made a PowerPoint presentation with the aid of slides:-

(see annexed)

She indicated that this was the biggest school building programme in Walsall for 50 years and provided an opportunity to transform learning within the Borough. She reported that the project provided a new approach to procurement involving joined-up investment streams which would deliver new and re-modelled school buildings in Walsall. Under Wave 6a of the proposals, six schools would be redeveloped:-

Alumwell
Joseph Leckie
Pool Hayes
Shire Oak
Streetly
Frank F. Harrison

She drew attention to the draft timetable for the works which would commence in November, 2009 and would continue until 2013/2014. Risk management was in place; the risk register was regularly refreshed and a Programme Board was in place. Schools in the Borough were already beginning to change and this would continue even if Building Schools for the Future was not completed.

Councillor Chambers asked if Internal Audit would monitor the project. David Blacker replied that it had been included in the current year's and the 2010/11 workplan.

Councillor Robertson asked what was likely to be the greatest risk to the project. Alison Butcher replied that Head Teachers would not give the scheme their full support. Asked if the project would collapse if current funding was withdrawn, Alison Butcher stated that it was hoped that the process would continue but on a longer timescale than had been originally envisaged.

Councillor Robertson referred to changes in teaching techniques affecting schools in the future. Alison Butcher replied that new buildings would be designed with flexibility in mind. Walls would be moveable and science labs less formal.

Councillor Robertson asked how often the Programme Board met. Alison Butcher replied every six weeks.

Councillor Rochelle asked whether results had improved in areas where changes had taken place. Alison Butcher replied that it was too early to tell yet but Head Teachers were already beginning to think differently.

Councillor Rochelle referred to the fact that the Council would have to find £10 million to fund its part of the project. He asked how this would be provided. Alison Butcher replied that it was hoped that a PFI over 25 years and an education partnership over 10 years would provide the funding.

James Walsh reported that a business case would be put forward in 2010 for the Council to consider how to fund the affordability gap. This matter would then be reported to Audit Committee later in the year.

Councillor Mrs. Shires asked if the recession had had any effect on the project. Alison Butcher replied that bidding partners had reduced prices as a result of the recession.

Councillor Ault asked if cost per pupil had been calculated for the project and questioned if guarantees could be provided that the new schools built under Building Schools for the Future would not become failing schools in the future. Alison Butcher replied that she did not have any information on these matters.

Councillor Robertson asked who would be responsible for scrutinising the contracts for school provision. Alison Butcher replied that Building Schools for the Future would be running for at least six years and standardised documentation would be used throughout to minimise potential risks. She added that legal advice would be in place to oversee the contract phase.

After further discussion it was,

Resolved

That the presentation be noted.

656/09

Submission of internal audit reports for scrutiny

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report and stated that the Regional Housing Pot had received a limited assurance opinion.

Councillor Robertson asked if there was likely to be any grant claw back arising from retrospective audit by the Government Office for the West Midlands. David Blacker replied that he would investigate and report back to a future meeting.

Councillor Ault referred to action plan reference 4.6 in Appendix 1 to the report. David Blacker replied that evidence in the file was incomplete. He added that in future, greater detail would be required.

Referring to the report on scrutiny, Councillor Chambers expressed concern that Scrutiny Panel Chairs were largely made up of Members of the ruling Group. He asked whether this was acceptable. James Walsh replied that Councillor Chambers had raised a valid point which would need to be addressed at a political level.

Resolved

- (1) That the report be noted;
- (2) That officers report back on any potential grant claw back arising from any retrospective audit by Government Office for the West Midlands.

657/09

Grants Report 2007/08

The report of the Audit Commission was submitted:-

(see annexed)

Kyla Bellinghall (Grant Thornton) enlarged upon the report and stated that the findings were largely historical. She drew attention to page 3 of the report which explained the certification process. She also drew the Committee's attention to Paragraph 2.2 of the report relating to roles and responsibilities and to Paragraph 3.2 relating to performance against targets. She referred to the embargo on ERDF grants in 2006/07 and to

the catch-up period in 2007/08. She indicated that it painted an unacceptable picture at a set point in time. She indicated that improvements had been made since then and drew attention to the Appendices to the report and the Action Plan. She added that the actions that had been implemented were positive.

Referring to Appendix C, Kyla Bellinghall stated that it was not all bad news. The Council Tax Benefit audit had been very good in 2007/08 and good again in 2008/09. Some areas were very good whilst others were not quite as good.

James Walsh stated that the report was a historical document and progress had been made, although ERDF was still proving to be problematical. He added that a grant audit manual had been introduced in 2007/08 which had had an impact in 2008/09. Sure Start had received an unqualified opinion in 2008/09 for the first time which was a definite improvement. He added that the Council had improved on all major schemes recently. Additional work had been carried out on grants and managers had been required to keep on top of record keeping. The Council was aiming to have all grants receiving an unqualified opinion in the future but there was still some way to go before this could be delivered.

Councillor Robertson asked why grant claims had been submitted late. Kyla Bellinghall re-iterated the fact that all grant claims should be submitted on time as the auditor had a time limit to refer them to Government. She stated that funding could be withheld if claims were submitted late and added that she was pleasantly surprised at the amount of grants received by Walsall from Central Government.

Councillor Martin asked if Members could be supplied with a list of the Council's grant funding. James Walsh replied that there was a grants register which could be made available to Members for perusal. He added that area based grants provided £28.5 million to Walsall.

Councillor Martin asked if improvements had continued in 2008/09. Kyla Bellinghall replied that the report to be published in January/February, 2010 would show some improvements but ERDF was still a problem. However, the number of qualifications continued to fall and the response to queries had speeded up.

After further discussion it was,

Resolved

That the report be noted.

658/09

Corporate Financial Performance 2009/10

A report was submitted:-

(see annexed)

James Walsh enlarged upon the report and drew attention to the potential revenue overspend of £3.2 million. There was likely to be a slippage of £1.1 million on the schemes. Referring to Table 1 of the report, he indicated that staffing costs were under control. He added that the situation was likely to get worse but officers were working hard to pull it back.

Councillor Chambers asked for a further report before the end of March. James Walsh replied that a further report would be submitted to the March meeting of the Committee. He added that reports were made to Cabinet bi-monthly on this matter.

Resolved

That the Committee notes the currently predicted year end forecasts and the action being taken to address the situation.

659/09

Confidential reporting policy (whistle blowing)

A report was submitted:-

(see annexed)

David Blacker enlarged upon the report and stated that the whistle blowing policy was now a stand alone document and not an Appendix to the 'Code of Conduct for Employees'. He indicated that a notification form was now available to enable individuals to report concerns on-line. He added that three complaints had been received in 2006/07 under the policy and none had been received since.

Councillor Chambers questioned whether Audit Committee should have seen the policy in draft referring to an anomaly within the document. David Blacker advised that this would be addressed when the policy was next presented for amendment/approval.

Councillor Robertson asked how often the policy would be reviewed. David Blacker replied that it would be continually reviewed.

Resolved

That the contents of the report and the confidential reporting policy (whistle blowing) be noted.

660/09 **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 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 those items in private session.

Summary of items considered in private session

661/09 **Risk Management Update 2009/10**

The Committee:-

- (1) notes that the Corporate Management Team undertook a review of the Corporate Risk Register in September, 2009 (Appendix 1 refers);
- (2) selects Risk Nos. 4 and 11 from the new Corporate Risk Register for review at a future meeting;
- (3) notes the progress in implementing the Corporate Risk Management Action Plan (Appendix 2 refers);
- (4) notes the updated Risk Management Action Plans relating to Audit Committee's risk register and the actions taken in managing those risks (Appendix 3 refers).

662/09 **Internal Audit Proposed Workplan 2010/11**

The Committee:-

- (1) receives and approves the proposed internal audit workplan coverage for 2010/11;
- (2) notes that the proposed plan will be discussed with Executive Directors and their management teams prior to subsequent approval by the Council's Section 151 officer;
- (3) notes that the final workplan will be presented to the Corporate Management Team (CMT) and this Committee for formal endorsement.

663/09 **Internal Audit Benchmarking**

That the Committee noted the noted.

664/09 **Happy Christmas**

The Chairman wished everyone a happy Christmas and prosperous New Year.

Termination of meeting

There being no further business, the meeting terminated at 7.55 p.m.