

## **AUDIT COMMITTEE**

**1<sup>st</sup> September, 2015 at 6.00 p.m.**

**Conference Room, Council House, Walsall**

### **Present**

Mr F Bell (Chairman and Independent Member)  
Councillor Chambers (Vice-Chairman)  
Councillor Craddock  
Councillor Longhi  
Councillor Robertson  
Councillor Sohal

Mr Green (Independent Member)

### **In attendance**

Head of Internal Audit  
Audit Manager  
Head of Finance  
Treasury, Financial Administration and Systems Manager

Representative from Grant Thornton  
Representative from Haines Watts

### 1294/15 **Apologies / Welcome**

Apologies were submitted on behalf of Councillor Worrall and Mrs Hepburn.

### 1295/15 **Minutes**

The minutes of the meeting held on 20<sup>th</sup> July, 2015, were submitted:-

(see annexed)

**Resolved** that the minutes of the meeting held on 20<sup>th</sup> July, 2015, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record, subject to paragraph 3 of Minute No. 1277/55 (Apologies / Welcome) being amended to read 'Officers' instead of 'Officer'.

1296/15      **Declarations of Interest**

There were no declarations of interest.

1297/15      **Deputations and Petitions**

There were no deputations submitted or petitions received.

1298/15      **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.

1299/15      **Notification of any issues of importance for consideration at a future meeting**

There were no issues highlighted.

1300/15      **Financial Health Indicators 2015/16 and Medium Term Financial Strategy Update**

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 the financial health indicators for the first quarter of the year (to 30<sup>th</sup> June, 2015) including the current year end forecast position for both revenue and capital as at 31<sup>st</sup> May, 2015.

Arising from discussions on this item, Members asked a number of questions in relation to: -

- Further to 4.5 of the report, what was the 2014/15 outturn. The Head of Finance agreed to arrange for a briefing note on this matter to be circulated to all Members.
- What action would need to be taken in relation to the overspend. The Head of Finance advised that this matter was being assessed at present and it would continually need to be assessed and responded to accordingly throughout the year.

- What were the implications for the Council going forward in relation to the deficit. The Head of Finance advised that Directorates required more time to work through sustainable and robust plans. This would include in year use of general and approved ear-marked reserves plus suitable options put forward as part of the budget process, including some potential allocation of additional investment. She advised that this clearly needed to be addressed and that the position was being assessed at present and as part of the budget process going forward for which some prudent provision had already been made within the medium term financial outlook figures.
- An update was requested on the present position with the implementation of the Mozaic system and whether it would be delivered on time and on budget. The Head of Finance agreed to arrange for a briefing note on this matter to be circulated to all Members.
- In relation to 'Alternative Sources of Capital Funding' a briefing note was requested on the various methods identified with that section on page 19 of the report. The Head of Finance agreed to arrange for a briefing note on this matter to be circulated to all Members.
- Members requested further information in relation to the issues and overspend within the Children's Services Directorate and the Social Care and Inclusion Directorate and what remedial actions were being proposed to address the matter. The Head of Finance advised that she would ensure that the next financial health indicators report to the November Committee meeting focussed on these areas.
- Whether the Mozaic system could potentially have the same level of complexities as some of the issues identified within Grant Thornton's report to the last meeting and if similar vulnerabilities existed. The Head of Internal Audit advised that the Committee could be assured that the Mozaic system was on the Audit Plan and that a Member of the Audit Team would be advising on the implementation of the system.
- Members requested a briefing note on the Council's current buildings / assets in light of what had happened under the smarter workplaces initiative. The Head of Finance agreed to arrange for a briefing note on this matter to be circulated to all Members.
- In relation to the 'Revenue Funding' paragraph on page 18, a Member enquired as to whether or not the Chief Finance Officer would wish to revisit this statement in view of the current financial position of the Council. The Head of Finance advised that this would only be utilised in rare and exceptional circumstances and that controls were in place to manage this. Keeping the statement in the strategy allowed some flexibility to use this where it was deemed appropriate to do so.

**Resolved that: -**

1. the financial health indicators be noted;
2. the minor amendments to the medium term financial strategy, as set out in section 5.2 of the report, be noted;
3. the minor amendments to the Capital Strategy be noted.
4. That briefing notes be sent on the various matters identified above.

1301/15      **Annual Treasury Management Report 2014/15**

A report was submitted:-

(see annexed)

The Treasury, Financial Administration and Systems Manager presented the report and highlighted the salient points contained therein.

Members considered the report which detailed the Council's treasury management annual report for 2014/15 as required under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Arising from discussions on this item, a question was asked in relation to: -

- How much of the £4.441m reserves, as detailed in table 2 on page 8 of the report, had been utilised to fund the capital. The Treasury, Financial Administration and Systems Manager agreed to produce a briefing note on this matter and circulate it to all Members.

**Resolved** that Treasury Management Annual report for 2014/15 be approved and recommended to Council.

1302/15      **Counter Fraud Update**

A report was submitted:-

(see annexed)

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

Members considered the report which sought endorsement of the refreshed counter fraud policy and anti money laundering policy.

Arising from discussions on this item, Members asked a number of questions in relation to: -

- Whether it was felt that sufficient resources were in place to cover all areas of concern. The Head of Internal Audit advised that there was

provision within the Audit Team to specifically deal with fraud matters. However, work within this area had diminished and Officers had been redirected to work on planned work.

- What the impact was in relation to third sector fraud. The Head of Internal Audit advised that the majority of such cases related to bad practice and a lack of experience. She advised that the Council would always recover money where fraud was concerned.
- In relation to table 7 within Appendix 4, questions were asked in relation to the level of prosecutions and how involved the Police were with such matters. The Head of Internal Audit advised that two matters, which related to schools, had resulted in prosecution. In most instances, when a case was passed to the police they were content to let the Council deal with the matter, as a civil matter, as the Police also had dwindling resources to contend with.

**Resolved** that the contents of the report be noted and that the refreshed counter fraud policy and money laundering policy be endorsed.

1303/15 **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 those items in private.

1304/15 **Follow Up Report on Grant Thornton's I.T. Findings**

A report was submitted:-

(see annexed)

Further to Minute No. 1292/15 (No or Limited Internal Audit Reports) The Head of Internal Audit presented the report and highlighted the salient points contained therein. The Representative from Haines Watts also provided expert advice and context to the matter. The Representative from Grant Thornton provided verbal assurance on the matter.

Members considered the report which provided the Committee with an update following the report presented under Minute No 1292/15 at the previous meeting of the Committee held on 20<sup>th</sup> July, 2015.

Arising from discussions on this matter, it was: -

**Resolved** that: -

1. the contents of the report, and measures being taken to address the identified control issues, be noted;
2. written confirmation / assurance be provided in Grant Thornton's Audit Findings report that the verbal concerns raised at the previous Committee meeting on 20<sup>th</sup> July, 2015, have now been addressed.

*(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 7.12 p.m.

Chair: .....

Date: .....