

# M I N U T E S

meeting: **AUDIT COMMITTEE**

date: **29 SEPTEMBER 2011**

**PRESENT:-**

Councillor Inston (Chair);  
Councillors Claymore, Dr Hardacre, Mrs Keirle, Leach, Mrs Mills,  
Simkins and Mrs Thompson

**OFFICERS IN ATTENDANCE:-**

B Bailey - Director of Pensions  
J Lancaster - Assistant Chief Executive (part)

Community

A Ivko (part)

Delivery

B Burgess, S Davies (part), J Heppel, D Johnston, D Kane, S Kembrey,  
R Morgan, M Taylor and M Fox

**PRESENT BY INVITATION:-**

R Bacon - PricewaterhouseCoopers )  
J Howse - PricewaterhouseCoopers )  
R Vialard - PricewaterhouseCoopers ) (External Auditors)

**Wolverhampton**  
City Council



**PART I – OPEN ITEMS**  
**(Open to Press and Public)**

**Apologies for Absence**

- 25                   An apology for absence had been received from the Assistant Director – Corporate Services.

**Declarations of Interest**

- 26                   All Members declared a personal and prejudicial interest in matters relating to equal pay/single status, particularly in relation to agenda items 7a/12a – 2010/11 Audited Statement of Accounts/Annual Report to those Charged with Governance.  
Councillor Hardacre declared a personal interest in agenda item 8a – Assurance Framework Supporting the Annual Governance Statement (West Midlands Pension Fund) as a School/Academy/College Governor and member of organisations that had involvement in the pension fund.

**Minutes**

- 27                   Resolved:-
- (a) That the minutes of the meeting of the Audit Committee held on 18 July 2011 be confirmed as a correct record.
  - (b) That the minutes of the meeting of the Audit (Examination of Paid Accounts/Monitoring of Audit Investigations) Sub-Committee held on 18 July 2011 be noted.
  - (c) That the minutes of the meetings of the Audit (Final Accounts Monitoring and Review) Sub-Committee held on 27 July and 19 September 2011 be noted.
  - (d) That the minutes of the meeting of the Audit/Standards Committee held on 28 July 2011 be approved and adopted.
  - (e) That the notes of the Single Status meeting involving the Chairs/Vice Chairs of Performance Governance and Support Services Scrutiny Panel and Audit Committee held on 7 September 2011 be received.

**Position of Interim Strategic Directors (Res 16)**

The Assistant Director – Governance reported that it was acceptable for individuals in interim Strategic Director posts to take on full corporate responsibilities and that it was proposed that the job descriptions of the Interim Strategic Directors would reflect those of the Strategic Director posts and that fulfilment of responsibilities would be monitored by the Chief Executive. Members expressed concern however that the status of the Interim Strategic Director posts had not

yet been clarified, that contracts of employment for the Interim Strategic Directors were held through an employment agency and not directly with the Council, and that the interim arrangements had been in place since February 2011 and were expensive.

28 Resolved:-

That the Chief Executive be requested to attend the next meeting of the Committee to respond to Members' concerns about the Interim Strategic Director posts and to enable a course of action to be agreed.

#### **2010/11 Draft Statement of Accounts (Res 17)**

29 Councillor Keirle queried progress on a number of issues raised about the draft Statement of Accounts at the last meeting. The Democratic Support Officer understood that a briefing note had been circulated during August 2011 but undertook to pursue the matter and circulate further information if necessary.

#### **Schedule of Outstanding Minutes (Appendix 14)**

The Committee received a report which gave an indication of dates on which reports on individual items would be submitted for consideration.

30 Resolved:-  
That the report be received.

#### **Work Programme 2011/12 (Appendix 15)**

The updated work programme had been circulated for information. The External Auditors requested that the item "Presentation of the Annual Audit Letter" be added to the programme for the meeting on 19 December 2011. Councillor Keirle expressed concern about the number of items included for consideration at the current meeting.

31 Resolved:-

- (a) That the updated work programme be approved.
- (b) That it be agreed to add the item "Presentation of the Annual Audit Letter" to the Audit Committee agenda for 19 December 2011 at the request of the External Auditors.
- (c) That the concern of Councillor Keirle about the number of items included for consideration on the agenda of the current meeting be noted.

## **FINAL ACCOUNTS -**

### **2010/11 Audited Statement of Accounts Appendix 16)**

The Financial Controller (Deputy Section 151 Officer) attended for this item and explained that the Assistant Director - Corporate Services (Section 151 Officer) had been called away from the office at short notice to deal with a personal matter and therefore had submitted her apologies that she was not available to attend this meeting. The Statement of Accounts had been circulated prior to the meeting and Members expressed concern at the lateness of the circulation, which allowed little time to ask questions prior to publication of the accounts on 30 September. It was noted that this was acceptable within the regulations, although the Members questioned this interpretation. Councillor Mrs Thompson raised an issue about the book value of Council dwellings and asked whether the reduced valuations had been shown as a liability in the accounts. It was reported that the properties had been given a lower valuation following revised guidance from the Government and that this was not considered to be a liability in accounting terms. Councillor Mrs Keirle asked for assurances on a number of other key points contained within the accounts. The External Auditors commented that their ISA 260 report, which would be considered later in the meeting, would provide more information about the current position and that further details would be provided when the audit had been completed. Members gave consideration to adding a form of words, to be agreed with the Chair, to the accounts to reflect the fact that the audit is still in progress

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Resolved:-

(a) That it be noted that the audit of the 2010/2011 Draft Statement of Accounts, by the External Auditors, is still in progress and that concern be expressed about the lateness of this report and copy of the statement of accounts, it being agreed to receive a further report on the outcome of the audit and along with an opportunity for Members to raise any further questions on the audited accounts at the next meeting.

(b) That the formal publication of the 2010/2011 Statement of Accounts, as required by the Accounts and Audit Regulations 2003 (as amended 2010), which require publication by 30 September, be approved, subject to the inclusion of a form of words, to be agreed with the Chair, to reflect the fact that the audit is still in progress.

(c) That authority be delegated to the Assistant Director – Corporate Services (Section 151 Officer), in consultation with the Chair and Vice-Chair of the Audit Committee to re-approve and re-publish the 2010/2011 Statement of Accounts to incorporate the External Auditors' audit opinions when available, along with any changes resulting from the final stages of their work.

(d) That it be recommended that the process for submission of the annual audited statement of accounts should be referred for

consideration by the Performance Governance and Support Services Scrutiny Panel.

### **RISK MANAGEMENT/ASSURANCE ON SERVICE RISKS REPORTS-**

#### **Assurance Framework Supporting the Annual Governance Statement (West Midlands Pension Fund) (Appendix 17)**

The Director of Pensions presented the assurance report in respect of the West Midlands Pension Fund. The Chair asked that consideration be given to adopting a similar format for assurance reports from other Directorates in future.

33 Resolved:-

That consideration be given by other Directorates to adopting a similar format for their assurance reports to the Committee.

#### **Scheme for Financing Schools (Appendix 18)**

The report advised the Committee of the need for the Local Authority to have a scheme for financing schools. Officers responded to questions from Councillors Hardacre and Simkins about the implications of the scheme for Academies and the free school system. The Principal Officer – Schools' Regulatory Services confirmed that individual schools were all subject to the scheme. Councillor Hardacre stressed that all schools needed to provide an assurance that their accounts are being audited annually.

34 Resolved:-

That the report be noted.

### **INTERNAL AUDIT REPORTS –**

#### **Review of Fraud Related Policies (Appendix 19)/ Anti-Money Laundering Policy (Appendix 20)/ Anti-Bribery Policy (Appendix 21)**

The Head of Internal Audit submitted a series of reports which asked the Committee to endorse or approve a number of policies. Replying to a question from the Chair, the Head of Internal Audit indicated that these would be drawn to the attention of staff by circulation through Directors and that a number of awareness sessions would be held. Councillor Simkins suggested that Members should also be invited to attend awareness sessions in connection with these policies.

35 Resolved:-

(a) That, in connection with the review of fraud related policies:-

- (i) the Audit Services' management review of the policy documents detailed in the report be endorsed;
  - (ii) whistleblowing activity arising since the launch of the Whistleblowing policy in September 2006 be noted;
  - (iii) the review of counter fraud arrangements against the provisions of Red Book 2, including the more significant issues which will need to be addressed, as set out in Appendix 7 of the report, be noted; and
  - (iv) deficiencies in corporate procedures identified in relation to the recording of cases of possible fraud and irregularity and the ongoing work to secure improvements be noted.
- (b) That the Audit Services' management review of the Council's Anti-Money Laundering policy be noted.
  - (c) That the Council's new Anti-Bribery Policy be approved.
  - (d) That Members be invited to attend awareness sessions in relation to the policies detailed within the reports.

### **The Future of Local Audit (Appendix 22)**

The Head of Audit Services submitted a report which considered the future of local audit, following the Government announcement in August 2010 of their intention to disband the Audit Commission.

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Resolved:-

That the report be noted.

### **CORPORATE RISKS –**

#### **Human Resources Improvement Plan (Appendix 23)**

The report provided an update on the Human Resources Improvement Plan. Councillor Simkins questioned the benefits of the proposals and what they would achieve. Councillor Mrs Thompson expressed concerns that personnel records and appraisal notes were kept in different locations and felt that they should be brought together in a single file. Councillor Hardacre asked whether the proposed changes would allow managers to deal more effectively with staff issues.

The Head of Employee Relations responded that it was a question of how to support a changing organisation and to give quality HR advice at a time of change. It was acknowledged that it has not been easy to obtain meaningful data about individual sickness records and this needed to be improved. Councillor Mrs Thompson suggested that departmental attendance records should be brought to the next meeting of the Performance Governance & Support Services Scrutiny Panel.

37 Resolved:-

That the report be noted and that a progress report be submitted to the Committee in 6 months' time.

### **Exclusion of the Public and Press**

38 Resolved:-

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from consideration of the items of business in Part II of the agenda on the grounds that, in view of the nature of the business to be transacted or the nature of the proceedings, exempt information falling within paragraphs 1, 2 & 3 of Schedule 12A of the Act is likely to be disclosed.

## **PART II - EXEMPT ITEMS** **(Press and Public Excluded)**

### **EXTERNAL AUDIT REPORTS AND INSPECTION –**

#### **2010/11 Annual Report to Those Charged with Governance (ISA 260) (Appendix 24)**

The External Auditors tabled a report which detailed their findings on their audit of the 2010/11 Accounts. Richard Bacon indicated that the audit would take another 7/10 days to complete, following which a further report would be presented to the Committee. He added that there was no requirement on the Auditor to submit a report until the audit had been completed. Councillor Mrs Keirle expressed concern about the delays in the audit and stressed that the Chair and Members should have been kept better informed about the circumstances. Other Members suggested that additional resources should have been made available to aid the completion of the accounts and that Members should have been alerted to the potential difficulties at a previous meeting. James Howse then went through the Executive Summary and emphasised the external auditor's comments about the need for more disciplined project management measures, as detailed on page 8 of the report. James Howse responded to questions about equal pay provision, trading accounts and internal control issues and Richard Bacon added that the planned procurement and contracting improvements should be considered as a priority by the Council.

39 Resolved:-

That the update by the External Auditors on the findings of their audit be noted, together with the fact that a further report would be presented to the Committee when the audit had been completed.

## **INTERNAL AUDIT REPORTS -**

### **Audit Work Update (Appendix 25)**

The report provided an update on current audit work and also brought to the attention of Members any matters where further action may be required. The Assistant Director – Governance provided more information about issues relating to business continuity and emergency planning, adding that the issues were being addressed. The Chair and Members requested urgent action to address the issues raised in the report, with a progress report being submitted at the next meeting. The Assistant Chief Executive assured Members that a detailed plan would be submitted at the next meeting.

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Resolved:-

That the report be noted and that a progress report be submitted at the next meeting about emergency planning procedures, to include a detailed plan and levels of resilience in dealing with future risks.