

M I N U T E S

meeting: **AUDIT COMMITTEE**

date: **7 NOVEMBER 2011**

PRESENT:-

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

OFFICERS IN ATTENDANCE:-

S Warren - Chief Executive (part)

Delivery

P Main - Assistant Director - Corporate Services
B Burgess - Head of Audit Services – Internal Audit
J Heppel - Finance Manager – Corporate Services
D Johnston - Head of Risk Management and Insurance – Corporate Services
S Kembrey - Assistant Director - Governance
R Morgan - Senior Audit Manager – Internal Audit
M Taylor - Financial Controller – Corporate Services
M Fox - Democratic Support Officer

PRESENT BY INVITATION:-

R Bacon - PricewaterhouseCoopers –External Auditors
J Howse - PricewaterhouseCoopers – External Auditors

Wolverhampton
City Council



Apologies for Absence

41 An apology for absence had been received from Councillor Leach.

Declarations of Interest

42 No declarations were received.

Exclusion of Press and Public

43 Resolved:-

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from consideration of the item 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 paragraph 3 of Schedule 12A of the Act is likely to be disclosed.

PART I – EXEMPT ITEMS
(Press and Public Excluded)

EXTERNAL AUDIT REPORTS AND INSPECTION:-

2010/11 Report to Those Charged with Governance (Appendix 26)

The report asked the Committee to receive the final report from the Council's External Auditors, who were in attendance and who highlighted the salient points from the executive summary. Councillor Mrs Keirle requested an update on the independent review into Axon and whether a public interest report was to be issued. It was noted that the External Auditor could make no further comment until the outcome of the independent review was known. The Assistant Director – Governance undertook to pursue this request.

Councillor Mrs Thompson raised a question about the level of overall materiality being increased to £17.1 million and expressed concerns about some of the working papers not being ready for the start of the audit and the fact that a number of disclosure matters had been identified during the audit. She questioned whether the Council had capacity to deliver against the final accounts deadlines. She also asked for clarification on the queries which had been raised in relation to the role of the S151 Officer. Richard Bacon explained the difference between the "planning materiality" of £8.5 million and the figure of £17.1 million. He added that the S151 Officer had a number of legal powers and needed to be kept informed of major issues. The Financial Controller – Corporate Services responded to the issues raised about the working papers, adding that the points raised by the External Auditor had been taken on board and additional resources allocated to ensure that similar problems were not experienced in the future.

Councillor Hardacre was pleased to receive these assurances and commented that he hoped that issues from 2010/11 would not be repeated in future years. Councillor Simkins suggested that comparisons should be drawn with other Local Authorities in a similar situation and that regular progress updates should be submitted to the Committee. Councillor Mrs Thompson stated that professional officers should not be undermined and should be held in appropriate regard. The Assistant Director – Corporate Services gave an undertaking that the accounts would be submitted to Members in good time in future years and that the Council would make more use of the Final Accounts Monitoring and Review Sub – Committee to monitor progress and that the team would draw on the experiences of other Local Authorities when preparing its final accounts plans.

44 Resolved:-

(a) That the report be received.

(b) That Members be provided with an update on the Axon Review as soon as possible.

PART II - OPEN ITEMS
(Open to Press and Public)

FINAL ACCOUNTS:-

Audited Statement of Accounts 2010/2011 (Appendix 27)

A report was submitted which asked the Committee to note completion of the audit of the accounts and agree to publish a notice that the audit has been concluded and that the Accounts are now available for review. An amendment to the recommendations contained in the report was also circulated which asked the Committee to note the publication of the Independent Auditors' Report as part of the Council's Statement of Accounts, a copy of which had been circulated with the report.

45 Resolved:-

(a) That it be noted that the External Auditors had completed their audit of the accounts and intended to issue an unqualified opinion.

(b) That it be noted that no material changes had been identified as a result of audit work completed since 29 September 2011.

(c) That publication of the Independent Auditors' Report as part of the Council's Statement of Accounts be noted.

(d) That it be agreed to publish a notice to advise local government electors that the audit has been concluded and that the Statement of Accounts are now available for review.

Minutes

46

Resolved:-

(a) That the minutes of the meeting of the Audit Committee held on 29 September 2011 be confirmed as a correct record, subject to the amendment of Minute 34 to read:-

“The report advised the Committee of the need for the Local Authority to have a scheme for financing schools. The Regulatory and Statutory Requirements Officer responded to a question from Councillor Simkins about the free school system. He also responded to a question from Councillor Dr Hardacre about the question of charging systems for SLAs and whether work was being carried out on this issue. The Officer gave an assurance that the issue was under consideration.

During a discussion on the requirement for schools to co-operate with auditors employed by the Authority and External Audit, Councillor Dr Hardacre stressed that all schools needed to provide an assurance that their accounts are being audited annually”.

(b) That the minutes of the meeting of the Audit (Examination of Paid Accounts/Monitoring of Audit Investigations) Sub-Committee held on 26 September 2011 be noted.

Interim Management (Resolution 28)

The Chief Executive attended the meeting and circulated a briefing note (Appendix 28) which gave an overview and review of the interim management arrangements, together with options and financial consequences. Councillor Simkins expressed concerns about the budget implications and enquired at what stage permanent appointments would be made. He commented on the uncertainty and low morale faced by staff and the lack of communication about the issue to Members. Councillor Mrs Thompson referred to the requirement to take into account recent changes in employment law regulations and possible pension costs as a consequence.

The Chief Executive confirmed in response to questions raised that the Interim Directors were covered by the Council's normal insurance arrangements. He added that the proposals contained in the briefing note would be referred to the Cabinet Resources Panel following Group briefings. The Council's constitution allowed for the appointment of Interim Directors but further advice was required on the need for the appointments to be approved by full Council. The Assistant Director – Governance added that the Director of Pensions would need to give advice on any pension implications of interim appointments.

Councillor Dr Hardacre referred to the guidance of Her Majesty's Revenue Customs, which suggested that the whole concept of interim directors was poor management practice. Councillor Simkins questioned the benefits to the Council and the people of the City of retaining the interim posts. The Chief Executive referred to the major projects that are being led by the Interim Directors and stressed the need for continuity.

47 Resolved:-

That the briefing note about Interim Management be noted and that officers take further advice on the requirement for the appointments to be approved by full Council.

Schedule of Outstanding Minutes (Appendix 29)

The Committee received a report which gave an indication of dates on which reports on individual items would be submitted for consideration. The Democratic Support Officer indicated that it was intended that a seminar would be arranged for all Council Members on the implications of the Localism Bill. The Assistant Director – Governance added that it was intended to offer a separate seminar for officers.

48 Resolved:-

(a) That the report be received.

(b) That it be agreed that a seminar be arranged for all Council Members on the implications of the Localism Bill.

Work Programme 2011/12 (Appendix 30)

The updated work programme had been circulated for information.

49 Resolved:-

That the work programme be approved.

RISK MANAGEMENT/ASSURANCE ON SERVICE RISKS REPORTS

Emergency Planning Procedures (Appendix 31)

This report detailed progress with the Council's emergency planning function.

50 Resolved:-

That the report be noted.

INTERNAL AUDIT REPORTS -

Audit Work Management Arrangements (Appendix 32)

A report was submitted which detailed planned management and leadership arrangements for Internal Audit Services from January 2012, following the retirement of the current Head of Internal Audit in December 2011. Councillors Mrs Keirle and Mrs Thompson asked how the arrangements would be funded and were informed that this would be through staff salary savings arising from vacancies within the

Internal Audit Team. Councillor Mrs Thompson also asked whether the arrangements were permanent or would be subject to review. Councillor Mrs Keirle also questioned the role of the Senior Audit Manager following the retirement of the Head of Internal Audit and whether any functions would be transferred to other areas of finance. Councillor Simkins referred to the internal audit function as not being regarded seriously enough within the Authority.

The Assistant Director – Corporate Services responded that it was planned that the arrangements would operate initially for at least 6 months after which consideration would be given to future arrangements. She added that, although there was a need to look at savings in every area of the Council's work, the Audit function would not be left in a vulnerable position and that any savings proposals would be reported to the Audit Committee before implementation. She also confirmed that there were no plans to transfer any of the audit functions to other teams and that the Senior Audit Manager would assume day to day line management responsibilities for the audit staff.

51

Resolved:-

That the planned management and leadership arrangements for Internal Audit Services from January 2012 onwards be noted.