

Minutes of the Audit Committee

**18th August, 2016 at 6.00 pm
at the Sandwell Council House, Oldbury**

Present: Councillor Sidhu (Chair);
Mr Ager (Vice - Chair and Independent
Member)
Councillors Gavan, Piper, Preece and
Dr Jaron.

19/16 **Minutes**

Resolved that the minutes of the meeting held on 22nd
June, 2016, be confirmed as a correct record.

20/16 **Report to those Charged with Governance (ISA 260)**

The Committee received a report which outlined the key issues identified by KPMG during its audit of the Council's financial statements for the year ended 31st March, 2016 and its assessment of the Council's arrangements to secure value for money in its use of resources.

The auditors proposed to issue an unqualified audit opinion on the Council's financial statements following approval of the Statement of Accounts by the Audit Committee.

The auditors concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Members noted that officers were confident that the 2017/18 accounts closedown timetable could be met by the publication deadline of 31 July.

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21/16

Statement of Accounts 2015/16

The Committee received the Statement of Accounts for 2015/16.

In accordance with the Accounts and Audit Regulations 2015, the Statement of Accounts had been approved by the Section 151 Officer on 31st March 2016, confirming that the accounts provided a true and fair view of the Council's financial position.

Members noted that the level of general fund balance stood at £12.141m. Despite the significant financial challenges facing the Council, this represented a consistent position on the level of free balances and was also in line with prudent cash management policies.

It was noted that the Council was still awaiting details from Government regarding additional funding responsibilities for Public Health and removal of the specified grant.

The Housing Revenue Account balances stood at £34.721m. This ring fenced fund had increased by £0.044m, mainly due to increase of collection rates of housing rents.

Schools balances stood at £35.751m, however, it was noted that these funds were ring fenced and could not be appropriated by the Council.

In response to Members' questions the Chief Finance Officer undertook to supply to them:-

- Business Rates funding formulae;
- the local authority's statutory provision to provide Council Services;
- impact on the Council financial position following the UK decision to leave the European Union.

Resolved:-

- (1) that the 2015/16 Statement of Accounts be approved by the Audit Committee;
- (2) that the Management Representation Letter 2015/16 be signed and approved by the Chair of the Audit Committee.

Annual Governance Statement

The Committee received its draft Governance Statement for 2015/16 which formed part of the Council's Statement of Accounts.

The Committee noted that the Governance Statement was based upon an ongoing process which was designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact they could have upon the authority.

To support the preparation of the statement, each Director had completed an assurance statement which had fed into the Governance Statement and any weaknesses identified had been included within the Statement.

Members noted that the Council had significant governance issues arising in the following areas:-

- i) Children's Services;
- ii) Resilience of the Medium Term Financial Strategy;
- iii) Business Continuity Planning;
- iv) Sale and Disposal of Council Land and Property;
- v) Combined Authority;
- vi) Sandwell Leisure Trust;
- vii) Health and Social Care Reforms.

The Committee was advised that a plan detailing the actions that were being taken to address these areas had been prepared. Updates on the progress made in implementing these actions would be presented to the Audit Committee throughout the year.

In relation to declarations of interest, members requested a review of best practice in other local authorities and ways to strengthen the policy for officers and members.

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Resolved:-

- (1) that the Governance Statement 2015/16 be approved for signature by the Leader of the Council and the Chief Executive;
- (2) that a review of best practice regarding declarations of interests in other local authorities be submitted to a future meeting of the Committee.

23/16

Annual Internal Audit Report 2015/16

The Committee received the Annual Internal Audit Report 2015/16. The report summarised the audit work undertaken during the year and provided a summary of the key control issues arising that, in the opinion of Audit Services, should be brought to the attention of the Audit Committee and the Chief Finance Officer.

Internal Audit stated that it could provide reasonable assurance that the Council had adequate and effective governance, risk management and internal control processes. They were able to provide this opinion based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit. The report also detailed the performance of the internal audit service via a series of performance indicators set by the Audit Committee.

Members were assured that all key recommendations made during 2015/16 would be followed up by Audit Services during 2016/17 in order to ensure that they had been satisfactorily implemented.

Members requested a further report outlining progress made in mitigating issues arising from Accounts Payable.

Resolved that a further report on progress made in mitigating issues arising from Accounts Payable be submitted to a future meeting of the Committee.

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24/16 **Audit Committee Annual Report**

Members considered the draft Annual Report of the Audit Committee. The report detailed the Committee's main achievements, together with details of the business undertaken by the Committee during the 2015/16 municipal year.

Members commended the Committee Members attendance record throughout the municipal year.

Resolved that the 2015/16 Annual Report of the Audit Committee be approved and presented to the next scheduled meeting of Council.

25/16 **Audit Committee – Terms of Reference**

The Committee received a report in relation to the terms of reference for the Audit Committee. The terms of reference were updated and approved by the Audit Committee in March 2015, in order to reflect CIPFA's new position statement Audit Committees in Local Authorities. It was recognised as best practice that the terms of reference were reviewed annually to ensure they remained fit for purpose.

Members noted that the terms of reference had not been subject to material change since they were last reviewed and approved in March 2015.

26/16 **Strategic Risk Register Update**

The Committee gave consideration to the Council's Strategic Risk Register in order to gain assurance that risks to the delivery of the Council's key priorities were being managed.

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It was noted that new risks for inclusion in the strategic risk register had been identified in respect of the new apprenticeship levy and the Council's contract with Sandwell Leisure Trust. The Council was also considering the potential risks and implications of the UK's decision to leave the European Union.

27/16 **CIPFA Audit Committee Update 19**

The Committee noted the latest publication issued by CIPFA which focussed on the processes on new Good Governance in Local Government Framework and appointing local auditors.

28/16 **Sale of Land Buildings Protocol**

The Committee, at its last meeting on 22nd June 2016, requested that the proposed protocol on the Sale of Land and Buildings be submitted for consideration. The protocol set out the steps to be followed in all future land and building sales undertaken by the Council and would form part of the Council's Financial Regulations.

The Chief Finance Officer now outlined the proposed process for the disposal of land:-

- a) Corporate Landlord Service to determine whether operational land or buildings were potentially surplus to requirements and to the Land and Asset Management Officer Group;
- b) the Land and Asset Management Officer Group to consider the report presented by Corporate Landlord and make recommendations on all property transactions prior to disposal;
- c) if determined, valuation would be undertaken following criteria set out in the protocol;
- d) external valuations would be obtained for all other land sales; sales to a council employee and/or local councillor; where a sale at less than best is being considered; or if subject to a restrictive covenant affecting its value;

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- e) if the valuation did not exceed £100,000 the Director – Regeneration and Economy would negotiate and agree terms for the disposal by the most appropriate method of sale, in consultation with the Monitoring Officer if any conflict of interest arose;
- f) where the value of the asset being considered for disposal exceeded £100,000 the matter would be submitted to the Land and Asset Management Committee for consideration and to Cabinet for approval;
- g) in the event of the proposed sale price listed as less than the valuation, then Cabinet approval would be required;
- h) files would be maintained for every disposal by the Director – Regeneration and Economy (property file) and the Director – Governance (legal file) and these files would be accessible by Internal/External audit;
- i) completion statements and the appropriate receipts regarding the sale of land would be made available to Director – Regeneration and Economy, Chief Finance Officer, Monitoring Officer and the Corporate Landlord Service.

In response to Members' questions, the Chief Finance Officer undertook to supply them with further information relating to:-

- the disposal process in regards to less than best consideration;
- the policy regarding the grant of leases to third parties and/or organisations;
- income generated from the sale of assets sold under corporate schemes to deliver income projects throughout the borough.

Having considered the report, Members were minded to approve the Sale of Land Buildings Protocol for inclusion as an appendix to the Financial Regulations and Contract Procedure Rules 2016/17 which would be submitted to the next meeting of the Cabinet.

In relation to ongoing matters regarding the management of land and property, the Committee requested further assurance that steps had been taken to ensure that issues arising from the recent reports on these matters were being addressed, be reported back at future meetings.

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Members specifically requested that Councillor I Jones and the former Service Manager as identified in the Gowling WLG report, be invited to attend the next public meeting of the Committee and that in the interests of open and transparent consideration of the matter, the meeting be webcast.

It was moved and duly seconded, put to a vote, and carried.

Resolved:-

- (1) to recommend to the Council that the Sale of Land Buildings Protocol be approved for inclusion as an appendix to the Financial Regulations and Contract Procedure Rules 2016/17;
- (2) that the proposed Financial Regulations and Contract Procedure Rules 2016/17 be submitted to the next meeting of the Cabinet;
- (3) that the meeting of the Audit Committee scheduled for 29th September 2016 be webcast.

29/16

Annual Counter Fraud Report 2015/16

The Committee considered the annual counter fraud report 2015/16.

The purpose of the report was to bring the Audit Committee up to date on areas of counter-fraud activities undertaken by Audit Services during 2015/16.

The Assistant Chief Executive praised the work of the Counter Fraud Unit during 2015/16 and the Council's efforts to recover costs associated with 109 properties which, amounts, to a saving of £10,137,000 in the provision of social housing.

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(Meeting ended at 8.14 pm)

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