

AUDIT AND STANDARDS COMMITTEE

Thursday, 20th September, 2012 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

PRESENT:-

Councillor Zada (Chair)
Councillor Arshad (Vice-Chair)
Councillors Branwood, Burston, Cowell, Hill, Taylor, Tyler and Mrs.
Westwood.

Officers

Treasurer, Head of Audit Services, Assistant Director, HR and Organisational Development, Audit Manager and Principal Auditors (All Directorate of Corporate Resources); Director of the Urban Environment, Assistant Director Culture and Leisure and Manager of Executive Support Team (All Directorate of the Urban Environment) and Mrs K Taylor (Directorate of Corporate Resources).

Also in Attendance

Mr T Corcoran (District Auditor) and Mr S Turner (Audit Manager) (Audit Commission)

12 **DECLARATIONS OF INTEREST**

Councillor Zada declared a non-pecuniary interest, in accordance with the Members' Code of Conduct, in Agenda Item 10 – Financial Regulations, in view of him being a governor at the Northfield Road Primary School.

13 **MINUTES**

RESOLVED

That the minutes of the meeting held on 3rd July, 2012 be approved as correct records and signed.

14 **AUDIT COMMISSION AUDIT AND STANDARDS COMMITTEE UPDATE**

A report of the Treasurer was submitted on a report published by the Audit Commission updating Audit and Standards Committee members across Local Government. A copy of the Audit and Standards Committee update was attached as an Appendix to the report submitted.

Mr T Corcoran, the District Auditor, and Mr S Turner, Audit Manager, were in attendance at the meeting and commented in particular on the very good report that had been submitted.

It was noted that the appointment of Grant Thornton UK LLP as the Council's external auditor had been confirmed from 1st September, 2012, and that a representative from the company would be attending future meetings of the Committee.

Arising from the presentation of the report and Appendices to the report, submitted the Treasurer responded to questions asked and with regard to queries raised by a member regarding payment by results contracts and the possibility of using social impact bonds to fund the cost of preventative work with children at risk of being taken into care, the Treasurer indicated that he would provide further details in consultation with Children's Services.

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on an Audit and Standards Committee Update published by the Audit Commission, be noted.

15

AUDITOR'S ANNUAL GOVERNANCE REPORT 2011/12

A report of the Treasurer was submitted on the auditor's Annual Governance Report 2011/12, together with the formal Management Representation Letter to the Auditor. A copy of the Annual Governance Report was attached as an Appendix to the report submitted.

Mr Tony Corcoran, the District Auditor, was in attendance at the meeting and commented in particular on the very good report that had been submitted. Overall he assessed that the Council had good arrangements in place for Value for Money including arrangements for HRA self-financing, and provided an unqualified audit opinion on the financial statements.

In all it was a smooth audit and the District Auditor expressed his thanks to the Treasurer and all the Officers involved for the work that had been carried out.

Arising from the presentation of the report and Appendices to the report, submitted the Treasurer responded to a question raised by a member regarding the monitoring of the action plan, as indicated in Appendix A of the report submitted, and indicated that a report on the progress made would be submitted to a future meeting of the Committee.

RESOLVED

- (1) That the content of the auditor's Annual Governance report 2011/12 be endorsed.

ASC/9

- (2) That approval be given to the Letter of Representation as attached to the report submitted and to the Chair signing and dating the letter so as to give evidence of the approval given.
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16 CHANGE IN ORDER OF BUSINESS

Pursuant to Council Procedure Rule 13(c) it was:-

RESOLVED

That the remaining items of business be considered in the following order:-

Agenda Item No's 14, 7, 8, 9, 13, and 15.

17 EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act, 1972, as indicated below: and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraph of Part I of Schedule 12A</u>
Annual Audit Report in relation to the Directorate of the Urban Environment	2 and 7

18 ANNUAL AUDIT REPORT IN RELATION OT THE DIRECTORATE OF THE URBAN ENVIRONMENT

A report of the Treasurer was submitted on the audit work undertaken in the Directorate of the Urban Environment for the financial year 2011/12 and incorporating details of the more important findings as indicated in Appendices 2 and 3 to the report submitted.

Arising from consideration of the report, and Appendices to the report, submitted the Chair considered that overall it was an excellent report and showed steady improvement over the last few years.

Arising from further comments made regarding the possibility of repeating similar breaches, it was suggested that recommendations for improvements should be circulated to the organisation as a whole to combat the potential of repeating mistakes.

RESOLVED

That the findings of the 2011/12 audit work be accepted.

19

CODE OF CONDUCT FOR EMPLOYEES

A report of the Director of Corporate Resources was submitted on the current position regarding the Code of Conduct for Employees. A copy of the code was attached as an Appendix to the report submitted.

The Assistant Director ,HR and Organisational Development highlighted two discrepancies in the report submitted:

- Page 56 – paragraph 18 – should end with “even when Dudley Council may not have been specifically referred to but may be linked to the comments”.
- Page 59 – paragraph 37 – before the word discipline should read ‘recruitment’.

It was noted that once the Pay and Grading process had been completed, employees would be asked to sign amended contracts of employment, which would also include information in regard to the code of conduct.

Arising from consideration of the report, and Appendices to the report, submitted concerns were raised in relation to paragraph 20 of the code of conduct for employees regarding the use of social networking sites, in particular given the complexity of the issue the paragraph needed to be clear in order for the employee to understand the risks involved.

RESOLVED

- (1) That, subject to amendments to paragraphs 18, 20 and 37, the Council be recommended to adopt the revised Code of Conduct.
- (2) That the Assistant Director, HR and Organisational Development, in consultation with the Chair and Vice-Chair, be requested to agree the wording to paragraph 20 in view of the concerns raised during the meeting.

20

STATEMENT OF ACCOUNTS 2011 / 12

A report of the Treasurer was submitted on the Statement of Accounts 2011/12, attached as Appendix 1 to the report submitted, and on the outcome of the Audit of Accounts.

The Treasurer gave a visual presentation at the meeting highlighting the main issues contained in the report submitted.

As part of the presentation he referred in particular to the Movement in Reserves Statement citing the position as at 31st March, 2011 and the position as revised at 31st March, 2012, indicating an increase in the General Fund Balance from £9.1 to 12.2 million. Other aspects of that Statement were also considered.

Arising from the presentation given, the Treasurer responded to questions asked by the Committee in relation to the budget delegated to schools; the possibility of long term borrowing at lower rates and the possibility of selling unused heritage assets.

RESOLVED

That the Statement of Accounts, attached as Appendix 1 to the report submitted, be approved and that the Chair sign and date the Accounts so as to give evidence of the approval given.

21

TREASURY MANAGEMENT REPORT

A report of the Treasurer was submitted on treasury activity during the financial year 2011/12, and in the current financial year up to August .

Arising from the presentation of the report and Appendices to the report, submitted the Treasurer responded to questions asked by members of the Committee in regard to the amount that the Council would need to produce this financial year in order to service debt and the contingency plans in place should the economy deteriorate further.

RESOLVED

That the Council be recommended to note the Treasury Activity outlined in the report submitted.

22

FINANCIAL REGULATIONS

A report of the Treasurer was submitted proposing amendments to the Council and School's Financial Regulations, a copy of which were attached as Appendix A to the report submitted.

Arising from the presentation of the report and Appendices to the report, submitted, the Head of Audit Services expressed his thanks to the Officers involved for the work that had been carried out.

RESOLVED

That approval to be given to the proposed amendments to Council and School Financial Regulations, as set out in the report and Appendix A of the report submitted.

23

EXCLUSION OF THE PUBLIC

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<u>Description of Item</u>	<u>Relevant Paragraph of Part I of Schedule 12A</u>
Reports required under Standing Orders	2 and 7
Audit Services Interim Performance Report	2 and 7

24

REPORTS REQUIRED UNDER STANDING ORDERS

A report of the Treasurer was submitted on cases arising under Standing Order 3.2 during the period January to June, 2012, requiring a report to this Committee.

RESOLVED

That the information contained in the report submitted be noted.

25

AUDIT SERVICES INTERIM PERFORMANCE REPORT

A report of the Treasurer was submitted on an update on Audit Services performance and other related information.

Arising from the presentation of the report and Appendices to the report, submitted, the Head of Audit Services circulated a National Fraud Initiative briefing note for information, and stated that the reason for achieving a lower performance rate for completing the audit plan was due to staff absences in the department.

Arising from the content of the report, Members raised concerns in relation to the poor performance against the target of finalising audit reports within six weeks of the draft report being issued. It was suggested that the target should be set at 80%, and that should reports arrive later than the target time the relevant manager should attend the Committee to explain the reasons for the delay.

RESOLVED

- (1) That the information contained in the report, and Appendix A to the report, submitted be noted.
- (2) That the Head of Audit Services be requested to write a letter to all Directors informing them of the target set; previous performance figures and that failure to submit the reports by the target date may result in a request that the relevant manager attend the Committee to explain the reasons for the delay.

The meeting ended at 8.10 p.m.

CHAIR