

Audit Committee - 14 June 2010

THE ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Summary of report:

This report outlines the role and responsibilities of the Audit Committee and a draft workplan/timetable for 2010/11 is attached at **Appendix 1**.

Recommendations:

To note the contents of the report and approve the workplan set out at Appendix 1.



Rory Borealis - Executive Director (Resources)

2 June 2010

Resource and legal considerations:

The audit committee's terms of reference and delegations are included within Part 3 of the council's constitution. The terms of reference and delegations are set out in the report. The audit committee comprises 7 councillors and one co-opted (non-voting) member.

Citizen impact:

The committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes ensuring that effective systems of internal control and internal audit are in operation, considering internal audit reports (including management responses to agreed action plans), reviewing the quality assurance and performance management processes and calling officers and members to inform its work. This also provides assurance to local tax payers and other stakeholders regarding the security of the council's operations.

Environment impact:

None arising directly from this report.

Performance and Risk Management Issues:

The audit committee plays an important role in considering the arrangements for, and the merits of, operating governance and performance management processes. This includes a key role in reviewing the mechanisms for the assessment and management of risk and

overall arrangements as set out in the corporate integrated planning and performance framework.

Equality Implications:

None arising from this report.

Consultation:

Wide ranging consultation took place in establishing the audit committee. The committee's core functions and structure are in accordance with the CIPFA practical guidance.

Background papers:

Previous reports to cabinet, council and audit committee.

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1. THE REMIT OF THE COMMITTEE

1.1 The remit of the committee is to act as the Council's Audit Committee, the purpose of which is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting.

1.2 To exercise the following powers and functions of the Council: -

- Consider the effectiveness of the Council's control environment and associated anti-fraud and anti-corruption arrangements.
- Consider the effectiveness of the Council's risk management arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions to improve it.
- Approve (but not direct) internal audit's strategy, plan and monitor performance.
- Review summary internal audit reports and main issues arising and seek assurance that action has been taken where necessary.
- Receive the annual report of the Head of Internal Audit.
- Review the effectiveness of key control strategies including; risk management, the local code of governance, arrangements for delivering value for money, anti-fraud arrangements and anti-corruption.
- Consider the reports of external audit and inspection agencies.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.
- Calling officers and/or Chairs of Committees to assist the Committee in its work.
- Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.
- To review any issue referred to it by the Chief Executive or any Director or any Council bodies.
- To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.

2. TRAINING AND DEVELOPMENT

2.1 To optimise the effectiveness of the audit committee, members will be provided with training and development to enable them to effectively discharge their role. Induction will be provided to new members and existing members will have the opportunity to attend this induction as a refresher. On-going training and development will be provided as necessary.

3. PRACTICAL ACTIVITIES

3.1 The following are practical activities that are undertaken by the committee:

- **Annual Audit and Inspection Letter** - receipt of the external auditor's annual audit letter, seeking a greater understanding of the underlying issues by questioning the external auditor, executive directors, cabinet members and senior officers, receiving and endorsing the resulting action plan, and receiving regular updates to ensure all the issues are being suitably addressed.
- **External and internal audit plans** - receiving and seeking a greater appreciation of each of the annual audit plans; how they are constructed, developed and delivered.
- **Risk management** - receiving and endorsing the council's risk management policy, strategic risk register, a schedule of operational risks, participating in the identification and management of risk and opportunity ensuring that all parts of the council adopt the policy and proactively manage risks in the best interests of the council.
- **Internal audit progress** - receiving and scrutinising quarterly reports from internal audit outlining their activities, and progress against annual targets and benchmarks, ensuring they have sufficient resources to undertake their responsibilities, that activity is taking place to appropriate standards and reviewing the operation of the internal audit partnership.
- **Audit reports** - receiving reports from the internal and external auditors, selecting particular reports for additional and detailed scrutiny to test that issues are being dealt with in an acceptable manner, identifying any cross cutting themes, and ensuring agreed audit actions are being implemented by managers, or seeking to understand where this is not the case.
- **Statement of Accounts** - receiving the pre audit statement of accounts, asking detailed and searching questions about the statement and endorsing it for formal submission to external audit, receiving the finalised post-audit statement of accounts, taking note of any audit issues and their impact on the statement of accounts, ensuring any issues are dealt with appropriately and resolved.
- **System of internal control and governance / internal audit** - receiving the findings of the review into the effectiveness of the system of internal control/the governance framework and internal audit as required under the Accounts and Audit (Amendment) Regulations 2006 and approval of the annual governance statement. Receiving the chief internal auditor's annual report and opinion into the overall adequacies of the council's internal control environment (CIPFA Code of Practice 2006 requirement).
- **Audit Committee effectiveness** - reviewing the effectiveness of the work undertaken during the year by the audit committee.

3.2 This list is indicative rather than exhaustive. A draft annual workplan has been discussed with the committee chairman and is attached at **Appendix 1**.

WALSALL COUNCIL - AUDIT COMMITTEE - WORK PROGRAMME & TIMETABLE 20010/11

Activity	Lead Officer	Public / Private	June 2010	June 2010	Sep 2010	Sep 2010	Oct 2010	Dec 2010	Jan 2011	Feb 2011	Apr 2011
DATE OF MEETING			14 th	21 st	1 st	28 th	25 th	7 th	18 th	28 th	12 th
Draft reports to Constitutional Services for Chair's briefing				ASAP	11/08	09/09	6/10	18/11	04/01	09/02	24/03
Date of Chair's briefing meeting - week commencing				07/06	16/08	14/09	11/10	23/11	05/01	14/02	29/03
Final reports to Constitutional Services for despatch			03/06	10/06	19/08	17/09	14/10	26/11	07/01	17/02	01/04
Role, remit and work programme	JW	Public	✓								
Risk management - annual review of risk management strategy	AJ	Public							✓		
Risk management - quarterly review of strategic risks	AJ	Private			Q1✓			Q2✓		Q3✓	Q4✓
Internal Audit work plan 2010/11	IA	Private						✓		✓	
Internal Audit quarterly performance report	IA	Split	✓				✓			✓	
Limited and no assurance audit reports for scrutiny	IA	Split			✓			✓			✓
External audit reports (as received) and other reports from inspection / assurance sources	GT	Public	as received & see below	as received & see below	as received & see below	as received & see below	as received & see below	as received & see below	as received & see below	as received & see below	as received & see below
Annual external audit and inspection letter 2008/9 – action plan progress	JW	Public					✓				✓
Annual external audit and inspection letter 2009/10 - action plan progress	JW	Public									✓ (June 2011)
Accounting policies annual update	JW/VB	Public	✓								
Annual report into the overall adequacies of the internal control environment	JW/IA	Public	✓								✓ (June 2011)

KEY: JW - J Walsh (CFO); BG - B Gill (Monitoring Officer); HD – H Dudson (Performance Management); GT – Grant Thornton (External Audit); VB - V Buckley (Corporate Finance); AJ - A Johnson (Risk Management); IA (Internal Audit); AB – A Boyd (Emergency Planning); LH - L Hall (Benefits); KD – K Dipple (Revenues) DK – D Kempson (Health & Safety); CW- C Williams (Programme Delivery & Governance); PM - P Milmore (Business Solutions)

Activity	Lead Officer	Public / Private	14 June 2010	21 June 2010	1 Sep 2010	28 Sep 2010	25 Oct 2010	7 Dec 2010	18 Jan 2011	28 Feb 2011	12 Apr 2011
Findings into the effectiveness of the systems of internal audit and internal control + annual governance statement	JW/VB/IA	Public		✓							✓ (June 2011)
Approving the 2009/10 pre audit statement of accounts	JW/VB	Public		✓							
Approving 2009/10 final statement of accounts following audit	JW/VB	Public				✓					
Review of the effectiveness of the audit committee	JW	Public									✓
Review of governance framework and effectiveness, including local code of governance	JW/BG/VB	Public						✓			
Review and appraisal of officers' statutory responsibilities/delegations	BG/JW	Public	✓						✓		
Approval of the 'Walsall Performance Framework' document	HD	Public					✓			✓	
Summary of outcomes from scrutiny panel reviews	HD	Public					✓			✓	
Emergency planning and Civil Contingencies Act arrangements	AB	Public						✓			
Anti fraud and corruption arrangements	IA/LH/KD	Public							✓		
Partnership register and risks	AJ	Public					✓				
Health & safety	DK	Public								✓	
Insurance arrangements	AJ	Public			✓						
Programme & project management / 'working smarter'	CW/PM	Public							✓		
Treasury management Annual Report	VB	Public		✓							
ERDF Action plan	PS	Public	✓								
ERDF Action plan progress report	PS	Public					✓				
Corporate financial performance	VB	Public			Q1✓			Q2✓		Q3✓	Q4✓
Financial regulations	VB/IA	Public					✓				

Activity	Lead Officer	Public / Private	14 June 2010	21 June 2010	1 Sep 2010	28 Sep 2010	25 Oct 2010	7 Dec 2010	18 Jan 2011	28 Feb 2011	12 Apr 2011
Value money strategy	JW	Public			✓						
International Financial Reporting Standards	VB	Public					✓		✓		✓
Progress on implementing Annual Governance Statement 2009/10 actions	VB	Public					✓				
Chair's annual report to Council	JW/VB/IA	Public			✓						
Regulation of Investigatory Power Act (RIPA)						✓			✓		

SPECIFIC GRANT THORNTON WORK											
Review of the effectiveness of the audit committee	GT	Public			✓						
Annual report to those charged with governance 2009/10	GT	Public				✓					
School balances	GT	Public			✓						
Grants report 2008/09	GT	Public	✓								
Grant Report 2009/10	GT	Public							✓		
Interim Audit Report 2009/10	GT	Public		✓							
Use of resources	GT	Public				✓					
Annual external audit and inspection letter 2009/10	GT	Public							✓		

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