

Audit Committee – 16 July 2014

Annual Report of the Audit Committee 2013/14

Summary of report

This report presents the proposed Annual Report of the Audit Committee 2013/14 and seeks approval for the Chair of Audit Committee to present this report to Council.

Recommendation

- 1. That the proposed Annual Report of the Audit Committee 2013/14 be approved and presented by the Chair of the Audit Committee to the next meeting of the Council.**



James Walsh – Chief Finance Officer

7 July 2014

Resource and legal considerations

The Council is not obliged by law to appoint an Audit Committee but this has been done in line with good governance practice and guidance from the Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and Police 2013 Edition).

Governance issues / Citizen impact

The production of an annual report strengthens assurance reporting and governance. This is further strengthened by the Chair of the Audit committee reporting to Council on the activities of the committee.

Performance and risk management issues

Highlighting key risk and performance issues helps ensure that appropriate improvement action is taken.

Equality implications

Assurance reporting encompasses key equality and diversity implications.

Consultation

This annual report is produced in accordance with the work programme for the Audit Committee as agreed at its meeting on 24 June 2013 in the report 'The Roles and Responsibilities of the Audit Committee'.

Background papers

- Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and Police 2013 Edition).
- Audit Committee agendas, minutes and reports for the municipal year 2013/14

Author:

Rebecca Neill

Head of Internal Audit

☎ 01922 654727

✉ neillr@walsall.gov.uk

Walsall Council Annual Report of the Audit Committee 2013/14

1. Introduction from the Audit Committee Chair

I am pleased to present the Annual Report of the Audit Committee for the 2013/14 municipal year. I hope this report will demonstrate to the residents of the borough, the Council's stakeholders and partners as well as other elected members, the importance of the Audit Committee's role and the positive contribution it makes to the Council's overall governance arrangements and the delivery of the council's objectives.

The purpose of the Audit Committee is to provide an independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing the work of internal and external audit, the Committee makes an important contribution to ensuring that effective assurance arrangements are in place.

Audit Committee meetings are open to members of the public and I would encourage all to come along and see our work in action.

Looking ahead to 2014/15, the Audit Committee will continue to provide this robust oversight.

Finally, I would like to take this opportunity to thank those members and officers who have contributed to the work of the Audit Committee over the last 12 months.



**Councillor Eddie Hughes
July 2014**

2. Terms of Reference

The terms of reference which the Committee operated to during the 2013/14 municipal year is detailed at the following link:

<http://www2.walsall.gov.uk/CMISWebPublic/Binary.ashx?Document=12972>

For 2014/15, revisions have been made to these in line with latest CIPFA guidance and will be incorporated into the council's constitution.

3. Member and Officer Attendance

Membership of the Audit Committee during 2013/14 is detailed at **Appendix A**.

The Audit Committee met 7 times during 2013/14.

A number of Audit Committee members also sat on various other committees and panels. On occasions there may have been clashes with the Audit Committee and where this occurred, apologies were always received for any episodes of non-attendance.

In reviewing the effectiveness of the Audit Committee members considered whether there was a conflict of independence by sitting on both a scrutiny panel and the Audit Committee. Members felt that the simple matter of exempting themselves from any item under discussion which had or was being considered by a scrutiny panel which they were a member of, was sufficient to maintain that independence.

Independence is further strengthened by increasing the number of independent members from one to three. During the 2013/14 municipal year the Committee had one serving independent member. A further 2 independent members were appointed by the Audit Committee during 2013/14 and have commenced in the 2014/15 municipal year. Senior officers from the council are also present as appropriate, including the

Council's Chief Finance Officer and the Head of Internal Audit.

The external auditor also attends. A summary of Audit Committee member and officer attendance is detailed at **Appendix B**.

4. Training & Effectiveness

Audit Committee receive a comprehensive training session prior to the commencement of their business year. 2013/14 was no different, with a session held on 11 June 2013. Further training updates on treasury management and risk management were delivered during the course of the year.

The Audit Committee also reviewed its own effectiveness against CIPFA's 'A Toolkit for Local Authority Audit Committees'. It was concluded that the Audit Committee was compliant with the requirements of the checklist and that arrangements were strong. A further assessment is planned for the 2014/15 municipal year.

5. Sources of Assurance During 2013/14

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2013/14 is detailed at **Appendix C** per the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance.

The Committee gained assurance in 2013/14 from these themes as follows:

Internal Audit

The Head of Internal Audit gave the following opinion in her annual report for 2012/13 which was presented to the Committee on the 2 September 2013:

'In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organization in 2012/13, and the positive action taken or intended to be taken by managers to implement agreed audit report actions, Walsall Council's overall system of internal control facilitates the effective provision of the council's functions and provides a significant level of assurance regarding the effective, efficient and economic exercise of the council's functions'.

During 2013/14 internal audit reports given a no or limited assurance were submitted to Audit Committee for consideration. Selected accountable senior managers and their directors were called before the Audit Committee to provide necessary assurances that actions were being taken to address weaknesses in control identified.

Audit Committee received internal audit's performance reporting during the year indicating that the service was performing well against its performance measures. The Audit Committee also endorsed internal audit's 2014/15 work plan and adjustments required to the 2013/14 work plan. The Committee also received progress reports against internal audit's compliance with the Public Sector Internal Audit Standards.

External audit / inspection

The main responsibility of the external auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice to review and report on the council's accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The annual letter summarised the significant issues arising from both these areas of work and highlighted some improvement actions.

The Committee has placed reliance upon the work undertaken by the external auditors.

In the external auditors' 2012/13 annual letter, their opinion was as follows:

'An unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year and an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources an unqualified opinion on the council's Whole of Government Accounts submission'.

In reporting on their grant certification work, Grant Thornton concluded that the council was performing well and there were no significant matters arising from there certification of claims and returns.

In their annual audit letter, however, the external auditor considered that the importance of establishing a greater corporate 'compliance culture' for the Council's internal controls and governance arrangements was of sufficient priority that they made a recommendation under section 11 (3) of the Audit Commission Act 1998, for the Council to review its governance arrangements. The Audit Committee has been monitoring the work of the Governance Forum in this respect and will continue to monitor progress into 2014/15.

During 2014/15, the Audit Committee also obtained assurance from accountable officers following external inspections by, for example, OFSTED and the Care Quality Commission.

Financial management

The Committee scrutinised the 2012/13 statement of accounts and also received reports on accounting policies. The Committee also received regular reports on corporate financial performance (financial health indicators) and treasury management.

Risk management

The strategic risk register was subject to routine examinations and a number of strategic risks were scrutinised by the Committee during the year. This involved presentations by relevant managers and questioning on action taken to mitigate these risks.

Corporate governance

The annual governance statement (AGS) and review of effectiveness for the 2012/13 financial year, concluded that the effectiveness of the system of internal control was adequate overall.

The Audit Committee also received a report from the Governance Forum and will continue to monitor the Forum's progress in 2014/15.

Updates were received on fraud and corruption matters including arrangements under the Regulation of Investigatory Powers Act, details of the Council's anti-fraud arrangements against the Audit Commission's "Protecting the Public Purse" checklist and the annual fraud survey return to the Audit Commission, which highlighted continued strong anti-fraud arrangements.

A report was considered detailing amendments to the scheme of delegation to officers, which was reviewed by the Committee. The Audit Committee also received reports on decisions taken under delegated authority in 2013/14.

6. Conclusion

The Audit Committee was able to confirm that it fulfilled its agreed terms of reference, that the system of internal control, governance and risk management in the authority was sufficient in identifying risks and allowing the authority to understand the appropriate management of these risks.

The Committee was also able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention which were not being adequately resolved.

The Audit Committee assessed its own effectiveness against recommended practice and concluded that it was effective.



Councillor Keith Chambers



Councillor Julie Fitzpatrick



Councillor Michael Flower



Mr Andrew Green (Independent)



Councillor Eddie Hughes (Chair)



Councillor Gareth Illmann-Walker (Vice Chair)



Councillor John Murray



Councillor Doreen Shires

Audit Committee Meetings and Member Attendance

	Councillor K Chambers	Councillor J Fitzpatrick	Councillor M Flower	Mr A Green	Councillor G Illmann- Walker	Councillor E Hughes	Councillor J Murray	Councillor D Shires
MEETINGS	ATTENDANCE							
24.06.13	✓	✓	✓	✓	✓	✓	✓	✓
02.09.13	✓	✓	✓	✓	✓	✓	✓	✓
25.09.13	✓	✓	✓	✓	✓	✓	✓	✓
11.11.13	x	x	x	x	✓	✓	✓	✓
06.01.14	✓	✓	✓	✓	✓	✓	✓	✓
24.02.14	✓	✓	x	✓	✓	✓	✓	✓
07.04.14	✓	✓	✓	x	✓	✓	✓	✓

	Chief Executive	Executive Director Neighbourhoods	Executive Director Children's Services	Head of Democratic Services	Head of Business Change	Head of Legal and Democratic Services	Head of Regeneration Development & Delivery	Grant Thornton
MEETINGS								
24.06.13	x	x	x	x	x	x	✓	✓
02.09.13	x	x	✓	x	x	x	x	✓
25.09.13	x	x	x	x	x	x	x	✓
11.11.13	✓	x	✓	x	x	x	x	✓
06.01.14	✓	x	x	x	x	✓	x	✓
24.02.14	x	x	x	x	x	✓	x	✓
07.04.14	x	✓	✓	✓	✓	x	x	✓

	Chief Finance Officer	Head of Finance	Head of Internal Audit	Senior Finance Manager	Area Manager Environmental Health	Service Manager Mental Health	Area Manager Trading Standards	Risk and Insurance Manager	Head of Community Care
MEETINGS	ATTENDANCE								
24.06.13	✓	x	✓	x	x	x	x	x	x
02.09.13	✓	x	✓	x	x	✓	✓	✓	✓
25.09.13	✓	x	✓	✓	x	x	x	x	x
11.11.13	✓	✓	✓	✓	✓	x	x	x	x
06.01.14	✓	x	✓	✓	x	x	✓	x	x
24.02.14	x	x	✓	✓	x	x	x	x	✓
07.04.14	✓	x	✓	✓	x	x	x	x	✓

	Head of Programme Delivery & Governance	Head of Human Resources	Head of Provider Services	Service Manager – Integrated Immediate Care	Principal Corporate Performance Officer	Treasury Financial/ Systems Manager	Team Leader – Town Centre Development	Audit Manager	Investigations Manager
MEETINGS	ATTENDANCE								
24.06.13	x	x	x	x	x	x	✓	x	x
02.09.13	x	x	x	x	x	x	x	✓	x
25.09.13	x	x	x	x	x	x	x	x	x
11.11.13	x	x	x	x	x	x	x	x	x
06.01.14	✓	✓	x	x	✓	✓	x	x	x
24.02.14	x	x	✓	✓	x	x	x	x	x
07.04.14	x	x	x	x	x	x	x	✓	✓

Summary of Audit Committee Work Plan 2013/14

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
24 June 2013	The Roles and Responsibilities of the Audit Committee					✓
	Independent Members on Audit Committee					✓
	Annual Report of Audit Committee					✓
	Review of Audit Committee Effectiveness					✓
	Internal Audit Progress Report for the year ending 31 st March 2013	✓				
	Medium Term Financial Strategy			✓		
	Financial Health Indicators 2012/13			✓		
	External Audit Plan & Interim Report		✓			
	Reporting of External Inspections		✓			
	Public Sector Internal Audit Standards	✓				
	Old Square Redevelopment Risk Management				✓	
	Internal Audit Unplanned Progress Report for the year ending 31 st March 2013	✓				
2 September 2013	OFSTED Inspection		✓			
	Annual report into the overall adequacies of the Internal Control Environment	✓				
	Financial Health Indicators			✓		
	External Audit Grant Certification Plan 2012/13		✓			
	Officers Exercise of Delegated Powers					✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Regulation of Investigatory Powers Act (RIPA) 2000					✓
	Risk Management Update 2013/14				✓	
	No & Limited Assurance Internal Audit Reports	✓				
25 September 2013	Treasury Management Annual Report			✓		
	External Auditor's Report on Financial Resilience		✓			✓
	Annual review of the Effectiveness of the Systems of Internal Control & Internal Audit & Annual Governance Statement					✓
	Statement of Accounts			✓		
	Officers Exercise of Delegated Powers					✓
11 November 2013	OFSTED and DoE Improvement Notice		✓			
	Food Standards Agency Inspection		✓			
	Financial Health Indicators			✓		
	Annual Review of Treasury Management Policy Statement			✓		
	Annual Audit Letter		✓			
	Internal Audit Progress Report for the 6 Month Period Ending 30 September 2013	✓				
	Internal Audit Unplanned Progress Report for the 6 Month Period Ending 30 September 2013	✓				
	Submission of Corporate Risks for Scrutiny				✓	
	No & Limited Assurance Internal Audit	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Reports					
6 January 2014	Treasury Management & Investment Strategy 2014/15			✓		
	Walsall performance management framework					✓
	Regulation of Investigatory Powers Act (RIPA) 2000					✓
	Corporate Governance Review					✓
	Submission of Corporate Risk for Scrutiny				✓	
	No or Limited Assurance Internal Audit Reports	✓				
	Risk Management Update 2013/14				✓	
	HR Recruitment, Procurement and Re-grades Investigation Report 2012/13 – Progress Against Action Plan	✓				
24 February 2014	Independent Members on Audit Committee					✓
	Officers Exercise of Delegated Powers					✓
	Hollybank House Inspection Report		✓			
	Financial Health Indicators			✓		
	Risk Management Strategy				✓	
	Public Sector Internal Audit Standards	✓				
	Internal Audit Plan 2014/15	✓				
7 April 2014	Annual Review of Scheme of Delegations					✓
	Hollybank House Inspection Report		✓			
	Regulation of Investigatory Powers Act (RIPA) 2000					✓
	Accounting Policies 2013/14			✓		

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Grant Certification Report		✓			
	Protecting the Public Purse and Anti Fraud and Corruption Arrangements					✓
	Informing the Risk Assessment – External Audit Report		✓			
	Submission of Corporate Risk for Scrutiny				✓	
	Risk Management Update 2013/14				✓	
	No or Limited Assurance Internal Audit Reports	✓				