

Audit Committee - 24 June 2013

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 work plan/timetable for 2013/14 is attached at **Appendix 1**.

Recommendations

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



James Walsh
Chief Finance Officer
11 June 2013

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 3 independent (non-voting) members. There is currently 1 independent member serving on the committee.

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, as detailed within the council's constitution, 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 were provided with training on 11 June 2013, to enable them to effectively discharge their role. 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 6 monthly reports from internal audit outlining their activities and progress against annual targets and benchmarks, ensuring they have sufficient resources to undertake their responsibilities and that activity is taking place to appropriate standards. Receiving no and limited assurance opinion internal audit summary reports and follow ups.
- **Audit reports** - receiving reports from the internal and external auditors; and the outcomes of other external inspections as appropriate; ensuring 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 2011 and approval of the annual governance statement. Receiving the head of internal audit's annual report and opinion into the overall adequacies of the council's internal control environment.
- **Audit Committee effectiveness** - reviewing the effectiveness of the work undertaken during the year by the audit committee.
- **Other assurance** – the work plan has been organised so that during the course of the year, the Audit Committee gains assurance from each of the elements of the overall governance framework as set out in the annual governance statement.

3.2 This list is indicative rather than exhaustive.

3.3 The refreshed workplan for 2013/14 is attached at **Appendix 1**.

WALSALL COUNCIL – AUDIT COMMITTEE WORK PROGRAMME & TIMETABLE – 2013/14

Activity / Area of Assurance	Lead Officer	11/06/13 (Training only)	24 June 2013	2 Sept 2013	24 Sept 2013	11 Nov 2013	6 January 2014	24 February 2014	7 April 2014
Draft reports required by Lead Officer for signing		N/A	3 June	9 Aug	3 Sept	21 Oct	9 Dec	3 Feb	17 Mar
Date sent out to Chair for Briefing (electronically)		N/A	6 June	14 Aug	6 Sept	24 Oct	12 Dec	6 Feb	20 Mar
Final Report required by Dem Services		N/A	14 June	22 Aug	16 Sept	1 Nov	20 Dec	14 Feb	28 Mar
Audit Committee Work:	CFO								
Audit Committee role, remit and work programme	HOF/HIA		✓						
Chair's Annual Report to Council (Council is on 8 July)	CFO		✓ For 2012/13						✓ For 2013/14
Review of the Effectiveness of the Audit Committee	HOF/HIA		✓						✓
Internal Audit:	HIA								
Public Sector Internal Audits Standards	HIA		✓						
Internal Audit Progress Report for the year ending 31 March 2013.	HIA		✓						
Internal Audit Progress Report for the 6 months to September 2013.	HIA					✓			
Limited and no assurance audit reports for scrutiny	HIA	As Required							
Annual report into the overall adequacies of the internal control environment for 2012/13	HIA			✓					
Internal Audit work plan 2014/15	HIA						✓		
Financial Management and Statement of Accounts:	CFO								
Letter to Audit Committee requesting information on how the Audit Committee gains assurance over management processes and arrangements and response	HOF							✓	

2012/13 Post Audit Statement of Accounts	CFO				✓				
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Financial Management and Statement of Accounts - Continued:	CFO								
Accounting Polices 2013/14	HOF								✓
Medium Term Financial Strategy - Update approved by Cabinet on 19 June 2013 to be circulated	HOF		✓ For Info						
Financial Health Indicators 2012/13	HOF		✓						
Financial Health Indicators 2013/14	HOF			✓		✓		✓	
Treasury Management Annual Report 2012/13	HOF/TM				✓				
Treasury Management Annual Review of Policy Statements and Mid-Year Review 2013/14	HOF/TM					✓			
Treasury Management Strategy 2014/15	HOF/TM						✓		
Risk Management:	HOF								
Risk Management Strategy - Review	RM				✓				
Risk Management updates - Corporate Risk Register	RM/SFM			✓		✓ Workforce planning risk update			✓
Governance / Other:	CFO/MO								
Summary of Decisions taken under Chief Officer Delegations 2012/13	MO/HCS				✓				
Summary of Decisions taken under Chief Officer Delegations 2013/14	MO/HCS				✓			✓	

Annual Review of the Scheme of Delegations to Officers	MO/HCS								✓
Council Contract and Finance Rules (Constitution)	MO/CFO								✓
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Governance / Other - Continued:	CFO/MO								
Regulation of Investigatory Power Act (RIPA)	ED NS /HIA				✓		✓		✓
Annual Governance Statement 2012/13 including Annual Review of Effectiveness of Internal Control	CEO			✓					
Protecting the Public Purse and Anti-Fraud and Corruption arrangements							✓		
Code of Governance Review	CFO/MO						✓		
Independent Member Appointment	CFO/HIA		✓						
Performance Management:									
Reporting of External inspections	CFO		✓						
Performance management arrangements	CPM		✓						

ADDITIONAL WORK AS IDENTIFIED AT / BY COMMITTEE OR CHIEF EXECUTIVE / E.D.	Lead Officer								
As and when identified. Also to include reports by inspectors, public interest reports etc...									
OFSTED Improvement Notice and Safeguarding and LAC report - Update	EDCS			✓		✓ Invite to Chair of Improvement Board to meet Committee			

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SPECIFIC GRANT THORNTON WORK	Lead Officer								
Annual Report to those Charged with Governance (ISA260)	GT				✓				
Grants Certification 2012/13	GT						✓		
Interim Audit Report 2012/13	GT		✓						
Financial Resilience Report	GT				✓				
Annual Audit Letter	GT					✓			

Key to Lead Officer:

MO – Assistant Director of Legal & Constitutional Services (Monitoring Officer)
CFO - Chief Finance Officer/S151 Officer
CEO – Chief Executive Officer
ED – Executive Director
EDNS – Executive Director Neighbourhood Services
EDCS – Executive Director Children's Services

HIA – Head of Internal Audit
HF - Head of Finance
HCS – Head of Constitutional Services
SFM – Senior Finance Manager
RM – Risk Manager
TM – Treasury Manager
CPM – Corporate Performance Manager
GT – Grant Thornton, External Audit