

Audit Committee - 18 June 2018

Audit Committee Role, Remit and Work Programme 2018/19

Summary of report

This report outlines the remit of the Audit Committee and the proposed work programme for 2018/19.

Recommendation

1. To note the remit of the Audit Committee.
2. To comment on and approve, or amend as appropriate, the draft work programme for 2018/19.
3. To consider, as a result of any amendments to the draft work programme, any formal recommendations to Council.

Resource and legal considerations

The Audit Committee's remit is included within Part 3 of the council's constitution. The membership of Audit Committee comprises 7 councillors and 3 independent (non-voting) members.

Citizen impact

The Committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes providing an independent assurance on the adequacy of the internal control environment. It provides an independent review of governance, risk management, financial reporting and other governance processes, as well as overseeing the work of internal and external audit. This provides assurance to local tax-payers and other stakeholders on the adequacy of the council's arrangements in these regards.

Environment impact

None arising directly from this report.

Performance and Risk Management Issues

The Audit Committee plays an important role in providing an independent review of governance, risk management and control frameworks, which include the council's arrangements for performance management.

Equality Implications

None arising from this report.

Consultation

The council has regard to CIPFA guidance in establishing the remit of the Committee.

Background papers

CIPFA 2013 guidance 'Audit Committees Practical Guidance for Local Authorities & the Police'.

Previous reports to Cabinet, Council and Audit Committee.



Vicky Buckley – Head of Finance
6 June 2018

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1. THE REMIT OF THE COMMITTEE

- 1.1 The remit of the Audit Committee was last reviewed and approved in line with the latest CIPFA 2013 guidance 'Audit Committees Practical Guidance for Local Authorities & the Police' in 2014/15. For 2018/19, no changes have been made to the remit for this municipal year (**Appendix 1**).

2. TRAINING AND DEVELOPMENT

- 2.1 Training and development is provided as necessary, and to new Members as standard. Officers will agree a programme of training and development to suit the experiences and skill of the Committee overall and individual Members.

3. DRAFT WORK PROGRAMME 2018/19

- 3.1 The draft work programme is 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 and the Committee can amend the programme through the year as matters arise.
- 3.3 Audit Committee is currently scheduled to meet 7 times per year. Historically the work programme has evolved to meet the required schedule of meetings. There have been recent changes to regulations in respect of the annual Statement of Accounts, which require earlier and less frequent reporting to Audit Committee, which would suggest a review of the draft work programme and scheduling of reports is now timely. The accounts are now required to be completed by the 31st May each year, with audited Statements approved by the Committee by 31st July. Reporting requirements for the annual governance statement (AGS) will also follow this timeline.
- 3.4 A review of the draft work programme and schedule of meetings would also allow an opportunity for the Audit Committee to ensure it is focused on the core remit of the Committee, as set out in Appendix 1. Historically, the Committee has received a number of financial reports aimed at providing assurance that the Council's finances are robust, such as:
- Financial health indicators, quarterly
 - Treasury management reports – 3 times a year: Annual Report, Mid-year review of Policy Statements, Treasury Management Strategy.
 - Accounting Policies
 - Statement of Accounts
- 3.5 A review of the Committee's remit includes overseeing the financial reporting of the council, and specifically accounting policies, the annual Statement of Accounts and the external audit of the accounts. The Committee may wish to consider whether there is sufficient assurance arrangements in place elsewhere within the council (via reporting to Cabinet and Council) in respect of the financial health of the Authority and for treasury management activity.
- 3.6 Additionally, Committee currently receive Internal Audit progress reports at each meeting. This commenced in 2016/17 following the outsourcing of the internal audit

function to Mazars. As the contract is now embedded, members are asked to consider if the current frequency of reporting is suitable for the Committee's needs.

3.7 The draft work programme is attached at **Appendix 2**.

AUDIT COMMITTEE

Membership

7 Members of the authority as determined by the Council with a maximum of 3 independent members (non-voting) appointed by the Council.

Substitutes

Substitute members may be nominated to the Committee in accordance with paragraph 4 of the Council procedure rules (Part 4).

Chairman and Vice-Chairman

The Chairman and Vice-Chairman will be appointed at the Annual Council meeting for the municipal year.

Quorum

The quorum of the Committee shall be one third of the membership, subject to a minimum of two.

Meetings

The Committee will meet six weekly, or thereabouts and will usually meet at the Council House, Walsall at 6.00 p.m.

Access to information

The Committee will comply with the Access to Information Rules set out in Part 4 of the Constitution.

Purpose

To act as the Council's Audit Committee, the purpose of which is to provide independent assurance to members of the adequacy of the risk management framework and internal control environment. To provide an independent review of governance, risk management and control frameworks, which include the council's arrangements for performance management and oversee the financial reporting and annual governance processes. To oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Delegations

To exercise the following powers and functions of the Council:

Governance, risk and control

(1) To review the Council's corporate governance arrangements against a good governance framework and consider annual governance

reports and assurances.

- (2) To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- (3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- (5) To monitor the effective development and operation of risk management in the Council.
- (6) To monitor progress in addressing risk related issues reported to the committee.
- (7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (9) To monitor the counter fraud strategy, actions and resources.

Internal Audit

- (10) To approve the internal audit charter.
- (11) To commission work from internal audit.
- (12) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- (13) To approve significant interim changes to the risk-based internal audit planning resource requirements.
- (14) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (15) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These include:

- a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b. Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non conformance is significant enough that it must be included in the Annual Governance Statement.
- (16) To consider the head of internal audit's annual report:
- a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note on the results the Quality Assurance and Improvement Programme that supports the statement.
 - b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion.
- (17) To consider summaries a specific internal audit reports as requested.
- (18) To receive reports outlining the action taken where the head of internal auditor has concluded that management has accepted the level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- (19) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of the internal audit that takes place at least once every five years.
- (20) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- (21) To support the development of effective communication with the Head of Internal Audit.

External audit

- (22) To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.
- (23) To consider specific reports as agreed with the external auditor.
- (24) To comment on the scope and depth of external audit work to ensure it gives value for money.
- (25) To commission work from external audit.
- (26) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or

relevant bodies.

Financial reporting

- (27) To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether they ask concerns arising from financial statements from the audit that need to be brought to the attention of the Council.
- (28) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- (29) To report to those charged with governance of the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- (30) To report to full Council on a regular basis the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.

WALSALL COUNCIL – AUDIT COMMITTEE WORK PROGRAMME & TIMETABLE – 2018/19

| Activity / Area of Assurance | Lead Officer | 18 June 2018 | 24 July 2018 | 24 Sept 2018 | 19 Nov 2018 | 14 Jan 2019 | 25 Feb 2019 | 15 April 2019 |
|---|--------------|----------------------|-----------------------|-----------------------|---------------------|---------------------|----------------------|-----------------------|
| Draft reports required by Democratic Services for Agenda meeting with Chair | ✓ | | | | | | | |
| Date of Chair's agenda briefing meeting (in CFO's office @ 4.30pm) | ✓ | | | | | | | |
| Final Report required by Dem Services | ✓ | 6 th June | 12 th July | 12 th Sept | 7 th Nov | 2 nd Jan | 13 th Feb | 3 rd April |
| Audit Committee Work: | CFO | | | | | | | |
| Audit Committee role, remit and work programme 2018/19 | HOF | ✓ | | | | | | |
| Chair's 2017/18 Annual Report to Council | HOF | ✓ | | | | | | |
| Review of the Effectiveness of the Audit Committee | HOF/HIA | | | | | ✓ | | |
| Internal Audit and Risk: | CFO | | | | | | | |
| Head of Internal Audit Opinion 2017/18 | HIA | ✓ | | | | | | |
| Internal Audit Report for the year ending 31 March 2018 | HIA | ✓ | | | | | | |
| Internal Audit Progress Report 2018/19 | HIA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Risk Management update – Strategic Risk Register (SRR) | HIA | ✓ | | | ✓ | | | ✓ |
| Risk Management Strategy - Review | HIA | | | | | ✓ | | |
| Counter Fraud and Corruption Arrangements (Policy / Procedure Updates) and training/awareness raising programme | HOF/ HIA | | | | ✓ | | | |
| Audit Charter 2019/20 | HIA | | | | | | ✓ | |
| Internal Audit work plan 2019/20 | CFO | | | | | | ✓ | |

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| Final Report required by Dem Services | | 6 th June | 12 th July | 12 th Sept | 7 th Nov | 2 nd Jan | 13 th Feb | 3 rd April |
| Financial Management & Statement of Accounts: | CFO | | | | | | | |
| 2017/18 Post Audit Statement of Accs | CFO | | ✓ | | | | | |
| Accounting Policies 2018/19 | HOF/SFM | | | | | | | ✓ |
| Treasury Management 2017/18 Annual Report | HOF/SFM | ✓ | | | | | | |
| Treasury Management Annual Review of Policy Statements and Mid-Year Review 2018/19 | HOF/SFM | | | | ✓ | | | |
| Treasury Management Strategy 2019/20 | HOF | | | | | ✓ | | |
| Financial Health Indicators 2017/18 | HOF | ✓ | | | | | | |
| Financial Health Indicators 2018/19 | HOF | | ✓ | | ✓ | | ✓ | |
| Governance / Other: | CFO | | | | | | | |
| Annual Governance Statement 2017/18 including Annual Review of Effectiveness of Internal Control | HOF | ✓ | | | | | | |
| Annual Review of the Scheme of Delegations to Officers | MO | | | | | | | ✓ |
| Assurance Map and Governance framework Update | HOF/HIA | | | | | | ✓ | |
| Performance Framework | CAM | | ✓ | | | | | |
| Annual Regulation of Investigatory Power Act (RIPA) Report 2017/18 | DPH | | ✓ | | | | | |

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| Governance / Other - Continued: | CFO | | | | | | | |
| Draft Annual Governance Statement 2018/19 including Annual Review of Effectiveness of Internal Control | HOF | | | | | | | ✓ |
| Reporting of external inspections and reviews - <i>as they arise</i> | | | | | | | | |
| Specific External Audit Work | EY/GT | | | | | | | |
| External Audit's request for information on how the Audit Committee gains assurance over management processes and arrangements | CFO / MO | ✓ | | | | | | ✓ |
| Annual Report to those Charged with Governance (ISA260) 2017/18 (including the opinion on the financial statements and VFM conclusion) | EY | | ✓ | | | | | |
| Annual Audit & Inspection Letter 2017/18 | EY | | | ✓ | | | | |
| Annual Certification Work 2017/18 | EY | | | | | ✓ | | |
| External Audit Plan 2019/20 | GT | | | | | | ✓ | |

Key to Lead Officer:**CAM** – Corporate Assurance Manager**CEO** – Chief Executive**CFO** – Chief Finance Officer (S151 Officer)**DPH** – Director of Public Health**EY** – Ernst Young (External Audit - 2017/18)**GT** – Grant Thornton (External Audit - 2018/19+)**HIA** – Head of Internal Audit (Mazars)**HOF** – Head of Finance**MO** – Assistant Director of Legal & Democratic Services (Monitoring Officer)**SFM** – Senior Finance Manager (Treasury Management)**Foreword Plan**

1. Audit Committee training will take place as and when policies and procedures are updated. Training will also be held for new Members of the Committee.
2. Independent Member appointment to be scheduled.
3. Contract and Finance Rules (Constitution) were subject to a detailed update in 2015/16. Further updates will be considered when the Regulations change