

Audit Committee – 22 July 2019

Annual Report of the Audit Committee 2018/19

Summary of report

This report presents the proposed Annual Report of the Audit Committee 2018/19 and seeks approval for the Vice Chair of Audit Committee to present this report to Council.

Recommendation

That the proposed Annual Report of the Audit Committee 2018/19 be approved and that the Vice Chair of the Audit Committee during 2018/9 present the report to the next meeting of Council.

Resource and legal considerations

The Council is not obliged by law to appoint an Audit Committee, however 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).

Governance issues / Citizen impact

The production of an annual report strengthens assurance reporting and governance. This is further strengthened by the Vice-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 revised work programme for the Audit Committee as agreed at its meeting on 24 July 2018.

Background papers

- Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and).
- Audit Committee agendas, minutes and reports for the municipal year 2018/19.



Vicky Buckley – Head of Finance
9 July 2019

Author:

Vicky Buckley, Head of Finance, ☎ 01922 652326

✉ Vicky.buckley@walsall.gov.uk

Walsall Council Annual Report of the Audit Committee 2018/19

1. Introduction from the Chair of the Audit Committee

I am pleased to present the fifth Annual Report of the Audit Committee for the 2018/19 municipal year.

It is important that the council is able to demonstrate to the residents of the borough, stakeholders and partners as well as other elected members, the significance 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. Audit Committee meetings are open to members of the public and I would encourage all to come along and see our work in action.

This year was one of both stability and change, with the bedding in of Mazars LLP who won the contract for delivery of the Council's internal audit service in 2016/17, and the first year of Grant Thornton as our external auditors.

Both providers have brought a fresh approach to the functions and have brought much added value to the work that they do. The Committee has appreciated the support and assurance they have given.

Looking ahead to 2019/20 there is an extensive programme of work planned. Over and above the normal activities, it is timely, in the context of the significant financial challenges facing the public sector, increasing demands and shrinking resources, for the Committee to review the overall Governance Framework of the Council to ensure it remains fit for purpose.

Finally, I would like to take this opportunity to thank all those members and officers who have contributed to the work of the Audit Committee over the last 12 months and to offer my support to the new Members of the Committee for the 2019/20 Municipal Year.

Mr Andy Green, Independent Chairman of the Audit Committee 2018/19

9 July 2019

2. Terms of Reference

The terms of reference, which the Committee operated to during the 2018/19 municipal year, is detailed at the following link: [Audit Committee Terms of Reference](#)

3. Member and Officer Attendance

The Audit Committee met 5 times during 2018/19.

Membership of the Audit Committee during 2018/19 and their attendance is detailed at **Appendix A**.

A number of Audit Committee Members also sat on various other Committees and panels. There were no reports received during the year that necessitated members absenting themselves.

In reviewing the effectiveness of the Audit Committee Members considered whether there was a conflict of independence by sitting on both a Scrutiny Committee 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 Committee which they were a member of, was sufficient to maintain that independence.

Independence is further strengthened by the Independent Member on the Audit Committee. Effort will be made to appoint to the 2 vacant posts in the year ahead.

Senior officers from the council also attend the Audit Committee as appropriate, including the Chief Finance Officer, Executive Directors and the Head of Internal Audit. Our External Auditor also attends.

4. Training & Effectiveness

Audit Committee receive appropriate and proportionate training. Training updates on the role of the Committee; the internal control environment and framework; risk management; and counter fraud were delivered during the course of the year.

5. Sources of Assurance during 2018/19

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2018/19 is detailed at Appendix B per the following themes:

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

The Committee gained assurance in 2018/19 from these themes as follows:

Internal Audit

In respect of the 2017/18 financial year, a positive Internal Audit Opinion was given as follows:

“On the basis of our audit work, we consider that the Council’s governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, six of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In arriving at our opinion, we have taken the following matters into account:

- *The results of all audits undertaken during the year ended 31 March 2018;*
- *Whether or not any Priority 1 or Priority 2 recommendations have not been accepted by management and the consequent risks;*
- *The effects of any material changes in the organisation’s objectives or activities;*
- *Matters arising from previous reports to the Audit Committee;*
- *Whether or not any limitations have been placed on the scope of internal audit;*
- *Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and*
- *What proportion of the organisation’s internal audit needs have been covered to date.*

All audit work is subject to agreed terms of reference, objectives and resources allocated by the Council for that purpose.”

During 2018/19, internal audit reports given a 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 the identified weaknesses in control.

Audit Committee received internal audit’s performance reporting during the year indicating that the service was performing well against most of its performance measures. All key financial systems audits were completed within

the plan and all high priority audits. Council can be assured that no issues have been identified in the 2018/19 work completed which impacts materially on the overall system of internal control

The Audit Committee also endorsed internal audit's work plan.

External audit / inspection

The main responsibility of the external auditor is to 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. Ernst & Young reported on the 2017/18 accounts.

In EY's Annual Audit Report, they concluded that:

- the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
- the financial information in the Financial Report was consistent with the financial statements
- the Council had put in place proper arrangements to secure value for money in their use of resources.

Financial management

The Committee scrutinised the 2017/18 statement of accounts and also received reports on accounting policies. The Committee also received regular Internal Audit progress reports, including a number covering financial management and controls in relation to 2018/19 (budgetary control, benefits realisation, both of which received a Good level of assurance – the highest available).

Risk management

Following Audit Committee approval of a revised Risk Management Strategy and work programme in February 2018, progress against the programme was

reported to Audit Committee during 2018/19, including implementation of a revised Strategic Risk Register (SRR), which was subject to examination by the Committee. Committee received reports on risk management at their July 2018 and April 2019 meetings on the SRR and directorate risk register updates.

Corporate governance

The annual governance statement (AGS) and review of effectiveness for the 2017/18 financial year concluded that the effectiveness of the system of internal control was adequate overall.

Reports were also considered on amendments to the scheme of delegation to officers and changes to finance rules, the performance management framework, which were reviewed by the Committee.

A review of the adequacy of the council's counter fraud arrangements was also undertaken, and a work programme of activity agreed, which will be implemented and monitored during 2019/20.

A Committee Decision tracking report was introduced during 2018/19 tracking all of its decisions for which a follow-up is required, to enable Members to monitor any outstanding actions and seek updates at future meetings where applicable.

6. Conclusion

The Committee has been 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 during 2018/19 that were not being adequately resolved.

Appendix A

Audit Committee Meetings and Member Attendance

	Cllr Chattha	Cllr Butler	Cllr Craddock	Cllr J Fitzpatrick	Mr A Green Independent Member	Cllr Hicken	Cllr Young	Cllr Robertson
18.06.18	✓	✓	✓	✓	✓	✓	✓	✓
24.07.18	✓	✓	✓	✓	✓	✓	X	X
24.09.18	X	✓	X	✓	✓	✓	X	✓
14.01.19	✓	✓	✓	✓	X	✓	✓	✓
15.04.19	X	✓	✓	X	✓	X	X	✓
% Attendance	60%	100%	80%	80%	80%	80%	40%	80%

Appendix B**Summary of Audit Committee Work Plan 2018/19**

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
18 June 2018	Audit Committee role, remit and work programme 2018/19					✓
	Treasury Management Annual Report 2017/18			✓		
	Financial Health Indicators 2017/18			✓		
	Internal Audit Report for the year ending 31 March 2018	✓				✓
	Head of Internal Audit Opinion 2017/18	✓				✓
	Understanding how the Audit Committee gains Assurance from Management	✓	✓	✓	✓	✓
	Annual Governance Statement 2017/18 including Annual Review of Effectiveness of Internal Control			✓	✓	✓
	Chairs 2017/18 Annual Report to Council					✓
	Internal Audit Progress Report 2018/19	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
24 July 2018	Committee Decision Tracking Chart					✓
	Post Audit Statement of Accounts 2017/18 including Annual Governance Statement and Audit Findings Report		✓	✓		
	Performance Management Framework					✓
	Audit Committee Revised Work Programme 2018/19 and Training Programme					✓
	Risk Management Update – Strategic Risk Register (SRR)				✓	
	Internal Audit Progress Report 2018/19	✓				
24 September 2018	Committee Decision Tracking Chart					✓
	Annual Audit Letter for the year ending 31 March 2018		✓	✓		✓
	GDPR Review – Draft Summary of Findings	✓				✓
	Review of Effectiveness of the Audit Committee					✓
	Counter Fraud and Corruption Arrangements				✓	✓
	Internal Audit Progress Report 2018/19	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
14 January 2019	Committee Decision Tracking Chart					✓
	Annual Certification Work 2017/18 (EY)		✓			
	Risk Management Update				✓	
	Internal Audit Progress Report 2018/19	✓				
	Internal Audit Charter 2019/20	✓				
	Internal Audit Work Plan 2019/20	✓		✓	✓	✓
	Informing the External Audit Risk Assessment	✓	✓	✓	✓	✓
	External Audit Plan 2019/20 (GT)		✓			
15 April 2019	Committee Decision Tracking Chart					✓
	Amendments to officer delegations under Part 3.5 of the Council's Constitution					✓
	Risk Management Update				✓	
	Accounting Policies 2018/19			✓		
	External Audit Progress Report		✓	✓		
	Internal Audit Work Plan 2019/20	✓				
	Independent Member to the Audit Committee – Term of Office Expiry					✓
	Internal Audit Progress Report 2018/19	✓				