

Audit Committee – 25 June 2007

The Roles and responsibilities of the Audit Committee

Summary of report

This report outlines the role and responsibilities of the Audit Committee. A draft workplan/ timetable for 2007/8 is attached at **Appendix 1**.

Recommendations

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



Carole Evans – Executive Director (CFO)

11 June 2007

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. The latter is currently vacant and previous advertisements for the position have proved unsuccessful. It is intended to advertise again.

Governance considerations

Remit

The Committee's principal function is to act as the Council's Audit Committee with the following terms of reference and delegations:

- Contributing to the Council's governance by ensuring an effective internal control environment is maintained (both through reviewing the Statement of Internal Control and more widely);
- Reviewing the effectiveness of the system of internal audit;
- Reviewing the mechanisms for the assessment and management of risk;
- Endorsing a work plan for internal audit;
- Receiving periodic reports on the work of internal audit;
- Receiving reports on management responses to internal audit reports and agreed action plans;
- Considering recommendations and reports from external auditors;
- Considering arrangements for and the merits of operating quality assurance and performance management processes;

- h) Approving the Council's statement of accounts, both 'subject to audit' and the final document;
- i) Calling officers and/or committee chairs to assist the Committee in its work;
- j) Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.

Training and Development

To optimise the effectiveness of the role, Audit Committee members have had opportunities to engage in tailor made training. This continues to be available on request. Topics have included:- the role of the Audit Commission; Risk Management; the role of Internal Audit, the Council's constitution; the corporate integrated planning and performance framework; CPA arrangements; use of resources judgement and scrutinising the Statement of Accounts.

Practical Activities

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

- **Annual Audit letter** - receipt of the Audit Commission's annual audit letter, seeking a greater understanding of the underlying issues by questioning the District Auditor, executive director, 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.
- **Internal audit projects** - undertaking a specific project into, for example, how the internal audit service operates, how particular types of audit are undertaken, how auditors are trained, what standards they use.
- **Risk management** - receiving and endorsing the Council's risk management strategy, 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 strategy 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 and 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 audit recommendations are being implemented by managers, or seeking to understand why not.

- **Statement of Accounts** - receiving the draft statement of accounts, asking detailed and searching questions about the draft 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** – receiving the findings of the review into the effectiveness of the system of internal control as required under the Accounts and Audit (Amendment) Regulations 2006 and approval of the annual statement of internal control. Receiving the chief internal auditor's annual report and opinion into the overall adequacy and effectiveness of the Council's internal control environment (CIPFA Code of Practice 2006 requirement).
- **System of internal audit** - receiving an annual report into the effectiveness of the system of internal audit as required under the Accounts and Audit (Amendment) Regulations 2006.
- **Audit Committee effectiveness** - reviewing the effectiveness of the work undertaken during the year by the Audit Committee.

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

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 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

Author

David Blacker – Chief Internal Auditor

☎ 01922 652831

✉ blackerd@walsall.gov.uk

WALSALL COUNCIL - AUDIT COMMITTEE - WORK PROGRAMME & TIMETABLE 2007/8**APPENDIX 1**

Activity	Lead Officer	Public/Private	June	June Special	Sep 2007	Sep Special	Oct 2007	Dec 2007	Jan 2008	Mar 2008	Apr 2008
DATE OF MEETING			25	28	3	20	15	3	15	3	14
Draft reports to clerk for Chair's briefing	Various				10.08.07	31.08.07	21.09.07	09.11.07	14.12.07	08.02.08	21.03.08
Chair's briefing meeting week starting	JW		04.06.07		06.08.07	03.09.07	24.09.07	12.11.07	17.12.07	11.02.08	24.03.08
Final reports to clerk for despatch	Various		14.06.07	20.06.07	20.08.07	11.09.07	04.10.07	22.11.07	04.01.08	21.02.08	03.04.08
Role and remit and work programme	CDE	Public	✓								
Risk management - annual review of risk management strategy	AJ	Public							✓		
Risk management - quarterly review of strategic risks	AJ	Private			✓			✓			✓
Internal Audit workplan 2008/9	DB	Private								✓	
Internal Audit quarterly performance report	DB	Split	✓				✓			✓	
Selected internal audit reports for scrutiny	DB	Public			✓			✓			✓
External Audit reports (as received)	BW/RR	Public			✓		✓	✓	✓	✓	✓
Audit Commission Annual Audit and Inspection Letter 2006/7	BW	Public							✓		
Annual Audit and Inspection Letter 2006/7 - action plan	JW	Public								✓	
Annual Audit and Inspection Letter 2005/6 - progress against action plan	JW	Public			✓		✓		✓		✓
Approving the 2006/7 statement of accounts (subject to audit) and statement of internal control	VB	Public	✓	✓							
Approving 2006/7 final statement of accounts following audit	VB	Public				✓					
Review and appraisal of officers' statutory responsibilities/delegations	JW/BG/DB	Public							✓		
Receiving the review findings into the effectiveness of the system of internal control	JW/VB/DB	Public									✓ (June 2008)
Receiving the review findings into the effectiveness of the system of internal audit	JW/VB/DB	Public									✓ (June 2008)
Review of the effectiveness of the Audit Committee	RR/JW	Public			✓						
Approval of the corporate integrated planning and performance framework	RF	Public								✓	

KEY: CDE - C Evans; JW - J Walsh; BG - B Gill; RF - R Flinter; BW - B Warwick; DB - D Blacker; VB - V Buckley; AJ - A Johnson; RR - Robson Rhodes