

**Audit Committee – 26 June 2017**

**Annual Report of the Audit Committee 2016/17**

**Summary of report**

This report presents the proposed Annual Report of the Audit Committee 2016/17 and seeks approval for the Vice Chair of Audit Committee to present this report to Council.

**Recommendation**

- 1. That the proposed Annual Report of the Audit Committee 2016/17 be approved and presented by the Vice Chair of the Audit Committee to the next meeting of the Council.**

**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 27 June 2016.

**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 2016/17.

**Contact:**

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A handwritten signature in black ink, appearing to read 'James Walsh', with a stylized, scribbled end.

**James Walsh – Chief Finance Officer**  
**30 May 2017**

# **Walsall Council Annual Report of the Audit Committee 2016/17**

## 1. Introduction from the Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee for the 2016/17 municipal year.

This is the third Annual report since my election to Chair the Audit Committee in September 2014.

My belief in the importance of being able to demonstrate to the residents of the borough, the Council's 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, remains as strong as ever.

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

If last year was a one of many changes, this year was one of stability and bedding in of both our new external auditors Ernst & Young and Mazzars LLP who won the contract for delivery of the Council's internal audit service. 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.

I am pleased to report that the change in the committee membership saw the new members take up their role with much energy and enthusiasm.

It was regrettable that the committee was unable to appoint a replacement to our vacant independent member; further efforts will be made to remedy this in the year ahead.

Looking ahead to 2017/18 there is an extensive programme of work planned. Over and above the normal activities the Council is due to have both an Ofsted inspection and a Local Government Peer Review, the outcomes of which will be reported to the Committee.

This will be my final report, the health issues that made it impossible for me to attend the committee for the second half of the year, have continued and it is with sadness that I will have to step down as chair for the forthcoming municipal year.

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



A handwritten signature in black ink, appearing to read 'Fred Bell', written in a cursive style.

**Fred Bell, Chair of the Audit Committee**

**30 May 2017**

## 2. Terms of Reference

The terms of reference, which the Committee operated to during the 2016/17 municipal year, is detailed at the following link:

[Audit Committee Remit 2016/17](#)

## 3. Member and Officer Attendance

Membership of the Audit Committee during 2016/17 is detailed at **Appendix A**.

The Audit Committee met 7 times during 2016/17.

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 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 the number of independent members on the Audit Committee. 2016/17 saw the continuation of two independent members, with the chair of the Audit committee being held for a third year by Fred Bell.

Senior officers from the council also attend the Audit Committee as appropriate, including the Chief Executive, 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 received appropriate and proportionate training. Further training updates on treasury management and risk management were delivered during the course of the year.

## 5. Sources of Assurance During 2016/17

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2016/17 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 2016/17 from these themes as follows:

### Internal Audit

In respect of the 2015/16 financial year, the following Internal Audit Opinion has been given:

“Formed solely on the basis of the work undertaken by Internal Audit and its partner organization in 2015/16, and the positive action taken or intended to be taken by managers to implement agreed audit report actions, a significant level of assurance can be provided in relation to the overall adequacy and effectiveness of Walsall Council’s framework of governance, risk management and

control (the internal control environment).

Control weaknesses were identified during the 2015/16 financial year and were reported as such to relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on an assurance that accountable managers address findings within the agreed audit report action plans in the areas for which they are responsible.

The internal control environment can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2015/16.

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

During 2016/17, 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 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 2015/16 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 2016 and of its expenditure and income for the year then ended
- the financial information in the Financial Report 2015/16 was consistent with the financial statements
- the Council had put in place proper arrangements to secure value for money in their use of resources.

In February, the committee received a report on the outcome of an ICO audit on data protection. The overall conclusion was "that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The audit has identified some scope for improvement in existing arrangements to reduce the risk of noncompliance with the DPA."

Progress on the management action plan will be reported back to the committee during 2017/18 municipal year.

### **Financial management**

The Committee scrutinised the 2015/16 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.

governance in the authority that had come to the Committee's attention that were not being adequately resolved.

## **Corporate governance**

The annual governance statement (AGS) and review of effectiveness for the 2015/16 financial year concluded that the effectiveness of the system of internal control was adequate overall.

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.

## **6. Conclusion**

In January 2016 a Review of the effectiveness of the Audit Committee was undertaken, the conclusion of which showed an effective committee. 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



Chairman Fred Bell (Independent)



Councillor Keith Chambers (Vice-Chairman Labour)



Councillor Stephen Craddock (UKIP)



Councillor Anthony Harris (Conservative)



Councillor Ian Robertson (Labour)



Councillor Peter Washbrook (Conservative)



Councillor Ann Young (Labour)



Mr Andrew Green (Independent)

**Audit Committee Meetings and Member Attendance**

	<b>Mr F Bell</b>	<b>Cllr Chambers</b>	<b>Cllr Craddock</b>	<b>Cllr Harris</b>	<b>Mr A Green</b>	<b>Cllr Washbrook</b>	<b>Cllr Young</b>	<b>Cllr Robertson</b>	<b>Cllr Phillips</b>
27.06.16	✓	✓	x	✓	x	✓	✓	✓	x
05.09.16	✓	✓	✓	x	✓	✓	x	✓	x
26.09.16	✓	✓	✓	x	✓	✓	✓	✓	x
21.11.16	✓	✓	✓	x	✓	✓	x	✓	x
16.01.17	x	✓	✓	✓	x	x	✓	✓	x
27.02.17	x	✓	✓	✓	x	✓	x	x	x
24.04.17	x	✓	✓	x	✓	✓	✓	x	✓

	<b>Chief Finance Officer</b>	<b>Head of Finance</b>	<b>Senior Finance Manager</b>	<b>Regulatory Services Manager Community Protection</b>	<b>Lead Accountant</b>	<b>Representative of Mazars</b>	<b>Representative of Ernst Young</b>	<b>Senior Accountancy Officer</b>
27.06.16	x	✓	x	x	x	✓	✓	x
05.09.16	x	✓	x	x	x	x	✓	x
26.09.16	✓	✓	✓	✓	✓	✓	✓	✓
21.11.16	✓	✓	x	x	x	✓	✓	x
16.01.17	✓	✓	x	x	x	✓	✓	x
27.02.17	✓	✓	x	x	x	✓	✓	x
24.04.17	✓	✓	x	x	x	✓	✓	x

	<b>Treasury, Financial Administration &amp; Systems Manager</b>	<b>Head of Community Care (Partnership)</b>	<b>Executive Director Adult Social Care</b>	<b>Cllr D Coughlan</b>	<b>Head of Information, Communication &amp; Technology</b>	<b>Corporate Information Governance &amp; Assurance Manager</b>		
27.06.16	x	x	x	x	x	x		
05.09.16	x	x	x	x	x	x		
26.09.16	x	x	x	x	x	x		
21.11.16	✓	✓	x	x	x	x		
16.01.17	✓	✓	✓	✓	x	x		
27.02.17	x	x	x	x	✓	✓		
24.04.17	x	x	x	x	x	x		

**Summary of Audit Committee Work Plan 2016/17**

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
<b>27 June 2016</b>	The proposed Remit of the Audit Committee and Draft Work Plan 2016/17					✓
	Financial Health Indicators 2015/16			✓		
	Medium Term Financial Strategy			✓		
	Capital Strategy			✓		
	Treasury Management Annual Report 15/16			✓		
	Internal Audit Progress Report Year Ending 31 March 2016	✓				
	Internal Audit Opinion 2015/16	✓				
	Annual Review of Effectiveness of the System Internal Control and the Draft Annual Governance Statement 2015/16					✓
	Pre-Audit Draft Statement of Accounts 2015/16			✓		
	Annual Report of the Audit Committee 2015/16					✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
	Understanding how the Audit Committee gains Assurance from Management					✓
	Internal Audit Progress Report 2016/17	✓				
	Internal Audit Unplanned Activity Report 2015/16	✓				
<b>5 September 2016</b>	Internal Audit Progress Report	✓				
	Financial Health Indicators			✓		
<b>26 September 2016</b>	Regulation of Regulatory Powers Act (RIPA) 2000					✓
	Risk Management Update				✓	
	Post Audit Statement of Accounts 2015/16 Including Annual Governance Statement and Audit Findings		✓	✓		
	Internal Audit Progress Report	✓				
	Internal Audit Unplanned Activity Report 2015/16	✓				
	Risk Management Update				✓	

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
<b>21 November 2016</b>	Annual Review of Treasury Management Policies and Mid-Year Position Statement 2016/17			✓		
	Financial Health Indicators 2016/17			✓		
	Annual Audit Letter 2015/16		✓			
	Internal Audit Progress Report 2016/17	✓				
	Dudley and Walsall Mental Health Partnership and Integrated Team – Audit Progress Report	✓				
	Internal Audit Unplanned Activity Report 2015/16	✓				
<b>16 January 2017</b>	Independent Member to Audit Committee – Term of Office Expiry					✓
	Managerial Controls on Financial Spend in Adult Social Care	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
	Treasury Management and Investment Strategy 2017/18 Onwards			✓		
	Annual Certification Work 2016/17 Ernst & Young		✓			
	Internal Audit Progress Report	✓				
	Dudley and Walsall Mental Health Partnership and Integrated Team – Audit Progress Report	✓				
	Internal Audit Unplanned Activity Report 2015/16	✓				
<b>27 February 2017</b>	Information Commissioner Office Data Protection Audit	✓				
	Financial Health Indicators			✓		
	Interim Report Risk Management Report				✓	
	Internal Audit Progress Report	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
	Ernst & Young Audit Planning Report for the Year Ending 31 March 2017		✓			
	Draft Internal Audit Work Plan 2017/18	✓				
	Internal Audit Unplanned Activity Report 2015/16	✓				
<b>24 April 2017</b>	Amendments to Officer Delegations Under Part 3.5 of the Council's Constitution – Report of the Monitoring Officer					✓
	Risk Management Update				✓	
	Accounting Policies 2016/17			✓		
	Counter Fraud Update				✓	
	Internal Audit Operational Plan	✓				
	Internal Audit Progress Report	✓				
	Internal Audit Charter	✓				