

## **Audit Committee – 22 July 2019**

### **Audit Committee Role, Remit and Work Programme 2019/20**

#### **Summary of report**

This report outlines the remit of the Audit Committee and the proposed work programme for 2019/20 for consideration and approval.

#### **Recommendation**

1. To note the remit of the Audit Committee.
2. To consider, amend as appropriate, and approve the proposed work programme for 2019/20.
3. To consider a proposed training programme.

#### **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.

The work programme seeks to ensure that the work of Audit Committee is focused on those areas requiring their scrutiny and oversight, specifically the internal control environment and assurance framework.

#### **Citizen impact**

The Committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes providing 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 taxpayers 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 and work programme of the Committee.

## Background papers

CIPFA 2018 guidance 'Audit Committees: Practical Guidance for Local Authorities & the Police'.



**Vicky Buckley – Head of Finance**  
**9 July 2019**

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## **1. THE REMIT OF THE COMMITTEE AND PROPOSED WORK PROGRAMME**

- 1.1 The remit of the Audit Committee was last reviewed by the Committee during 2018/19 against the newly issued 2018 CIPFA guidance 'Audit Committees Practical Guidance for Local Authorities & the Police' and the Constitution was updated accordingly. This is attached at Appendix 1.
- 1.2 In light of this, the work programme was revised and re-organised so that during the course of the year, the Audit Committee gains assurance from each of the elements of the overall governance framework. Financial management and performance is now considered by Cabinet, Council and Scrutiny Committees and treasury management performance is considered by Cabinet, with oversight from Council.
- 1.3 The Committee is scheduled to meet 5 times per year. Following removal of treasury management and financial management activity, and rephrasing of some activity, 5 meetings are considered sufficient to cover the core assurance areas for 2019/20, with a manageable agenda for each meeting.
- 1.4 The draft work programme is attached at Appendix 2 for Audit Committees consideration.

## **2. TRAINING AND DEVELOPMENT**

- 2.1 Training on the remit and role of the Audit Committee, the governance framework, including the internal control environment and risk management framework, is planned to take place during the year. Additionally, it is proposed that further training and development opportunities are provided to all Committee members, along with individual training, where required, to suit the experiences and skill of individual Members. A proposed training programme for the Committee is as follows:
  - July 2019 - Overview of Role, Remit and Responsibilities; Accounting Policies and the financial statements (Statement of Accounts)
  - September 2019 - Internal Audit, Internal Control Environment and Risk Management
  - November 2019 – Counter Fraud
  - February 2020 – to be agreed
  - April 2020 - Assurance Framework, Accounting Policies
- 2.2 Additional learning and development opportunities may present during the year, including audit committee and governance related seminars. Additionally, CIPFA via their Better Governance Forum network, provide briefings and updates for Audit Committee Members, which will be circulated for information and/or follow up.

## **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 five times per year 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 prove 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 on 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 &amp; TIMETABLE – 2019/20

| Activity / Area of Assurance  | Lead Officer | 22 July 2019          | 23 September 2019          | 18 November 2019         | 18 February 2020         | 6 April 2020           |
|---|--------------|-----------------------|----------------------------|--------------------------|--------------------------|------------------------|
| Draft reports required by Democratic Services for Agenda meeting with Chair                                     | ✓            | 3 <sup>rd</sup> July  | 4 <sup>th</sup> September  | 30 <sup>th</sup> October | 30 <sup>th</sup> January | 18 <sup>th</sup> March |
| Date of Chair's agenda briefing meeting (in Vicky's office @ 4.00pm)  | ✓            | 9 <sup>th</sup> July  | 10 <sup>th</sup> September | 5 <sup>th</sup> November | 4 <sup>th</sup> February | 24 <sup>th</sup> March |
| Final Report required by Dem Services   | ✓            | 10 <sup>th</sup> July | 11 <sup>th</sup> September | 6 <sup>th</sup> November | 5 <sup>th</sup> February | 25 <sup>th</sup> March |
| <b>Audit Committee Work:</b>  |              |                       |                            |                          |                          |                        |
| Audit Committee role, remit and work programme 2019/20  | HOF          | ✓                     |                            |                          |                          |                        |
| Chair's 2018/19 Annual Report to Council  | HOF          | ✓                     |                            |                          |                          |                        |
| Review of the Effectiveness of the Audit Committee and Update   | HOF/HIA      |                       | ✓                          |                          | ✓                        |                        |
| <b>Internal Audit and Risk:</b>   |              |                       |                            |                          |                          |                        |
| Head of Internal Audit Annual Report 2018/19 and Opinion  | HIA          | ✓ (2018/19)           |                            |                          |                          | ✓ (2019/20 Draft)      |
| Internal Audit Progress Report 2019/20  | 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     |                       |                            | ✓                        |                          | ✓                      |
| Internal Audit Charter 2020/21  | HIA          |                       |                            |                          |                          | ✓                      |
| Internal Audit work plan 2020/21  | HIA / HOF    |                       |                            |                          |                          | ✓                      |



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| Final Report required by Dem Services  |                  | 10 <sup>th</sup> July | 11 <sup>th</sup> September | 6 <sup>th</sup> November | 5 <sup>th</sup> February | 25 <sup>th</sup> March |
| <b>Financial Management &amp; Statement of Accounts:</b>   |                  |                       |                            |                          |                          |                        |
| 2018/19 Post Audit Statement of Accounts   | S151 Officer     | ✓                     |                            |                          |                          |                        |
| Accounting Policies 2019/20  | DHOF (Corporate) |                       |                            |                          |                          | ✓                      |
| <b>Governance / Other:</b>   | CFO              |                       |                            |                          |                          |                        |
| Annual Governance Statement including Annual Review of Effectiveness of Internal Control   | HOF              | ✓ (2018/19)           |                            |                          |                          | ✓ (2019/20 Draft)      |
| Annual Review of the Scheme of Delegations to Officers   | MO               |                       |                            |                          |                          | ✓                      |
| Assurance Map and Governance framework Update  | HIA / HOF        |                       |                            |                          | ✓                        |                        |
| <b>Specific External Audit Work</b>  | GT               |                       |                            |                          |                          |                        |
| Reporting of external inspections and reviews - <i>as they arise</i>   | HOF              |                       |                            |                          |                          |                        |
| External Audit's request for information on how the Audit Committee gains assurance over management processes and arrangements         | HOF              |                       |                            |                          | ✓ (2019/20 accounts)     |                        |
| Annual Report to those Charged with Governance (ISA260) 2018/19 (including the opinion on the financial statements and VFM conclusion) | GT               | ✓                     |                            |                          |                          |                        |
| Annual Audit & Inspection Letter 2018/19   | GT               |                       | ✓                          |                          |                          |                        |
| Annual Certification Work 2018/19  | GT               |                       |                            |                          | ✓                        |                        |
| External Audit Plan 2020/21  | GT               |                       |                            |                          | ✓                        |                        |

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| <p><b><u>Key to Lead Officers:</u></b></p> <p><b>DHOF (Corporate)</b> – Deputy Head of Finance (Corporate)<br/> <b>GT</b> – Grant Thornton (External Audit)<br/> <b>HIA</b> – Head of Internal Audit (Mazars)</p> | <p><b>HOF</b> – Head of Finance<br/> <b>MO</b> – Assistant Director of Legal &amp; Democratic Services (Monitoring Officer)<br/> <b>S151 Officer</b> – Officer charged with being responsible for the administrator of the council financial affairs (Chief Finance Officer)</p> |
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### **Foreword Plan**

1. Training is proposed as follows:  
 July 2019 - Accounting Policies and the financial statements (Statement of Accounts) and Overview of Role, Remit and Responsibilities of the Audit Committee  
 September 2019 - Internal Audit, Internal Control Environment and Risk Management  
 November 2019 – Counter Fraud  
 February 2020 - TBA  
 April 2020 - Assurance Framework, Accounting Policies  
 Audit Committee training will also take place as and when policies and procedures are updated. Bespoke training will be offered to all Members.
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.