

Audit Committee – 27 July 2020

Annual Report of the Audit Committee 2019/20

1. Summary of report

- 1.1 This report presents the proposed Annual Report of the Audit Committee 2019/20 and seeks approval for the Vice Chair of Audit Committee to present this report to Council.

2. Recommendation

- 2.1 That the proposed Annual Report of the Audit Committee 2019/20 be approved and that the Vice Chair of the Audit Committee during 2019/20 present the report to the next meeting of Council.

3. Resource and legal considerations

- 3.1 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).

4. Citizen impact

- 4.1 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.

5. Performance and risk management issues

- 5.1 Highlighting key risk and performance issues helps ensure that appropriate improvement action is taken.

6. Equality implications

- 6.1 Assurance reporting encompasses key equality and diversity implications.

7. Consultation

- 7.1 This annual report is produced in accordance with the revised work programme for the Audit Committee as agreed at its meeting on 22 July 2019.

8. Background papers

- 8.1 Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and).
- 8.2 Audit Committee agendas, minutes and reports for the municipal year 2019/20.

V Buckley

Vicky Buckley
Interim Director of Finance, Corporate Landlord and Corporate Performance
Management
13 July 2020

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Walsall Council Annual Report of the Audit Committee 2019/20

1. Introduction from the Chair of the Audit Committee

I am pleased to present the sixth Annual Report of the Audit Committee for the 2019/20 municipal year.

It is important that the Council is able to demonstrate to the residents of the borough and stakeholders, the significance of the Audit Committee's role and the positive contribution it makes to the Council's overall governance and accountability arrangements. 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 stability 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 second year of Grant Thornton as our external auditors. Our internal and external audit providers continue to bring much added value to the work that they do.

We also welcomed a new member to the Committee during 2019/20, Councillor Rasab to replace Councillor Craddock who stepped down to become a member of the Cabinet. I would like to thank Councillor Craddock for the invaluable support he has provided as Vice Chairman of the Committee over the last few years.

Looking ahead to 2020/21 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.

This is particularly relevant in the context of responding to the Coronavirus

pandemic. Since March 2020 all Councils across the country have been operating in an emergency response situation which is unprecedented. Lockdown and associated measures have and continue to have a significant impact on how and what services the Council provides to its residents and services users and has necessitated changes to the Council's governance arrangements. Whilst these changes have been reported in the Council's Annual Governance Statement (AGS), it will be the role of the Audit Committee to seek assurance as to the appropriateness and probity of the changes.

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.

**Mr Andy Green,
Independent Chair of the Audit
Committee 2019/20**

14 July 2020

2. Terms of Reference

The terms of reference which the Committee operated to during the 2019/20 municipal year, are detailed at the following link:

[Audit Committee Terms of Reference](#)

3. Member and Officer Attendance

The Audit Committee met 4 times during 2019/20; the meeting scheduled for April 2020 was cancelled in accordance with the Coronavirus pandemic lockdown measures.

Membership of the Audit Committee during 2019/20 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 of which they were a member, was sufficient to maintain that independence.

Independence is further strengthened by the Independent Member on the Audit Committee. Recruitment to the vacant posts will commence as soon as is practicable.

Senior officers from the Council also attend the Audit Committee as required, including the Chief and Deputy Chief Finance Officers and Executive Directors. The Head of Internal Audit and External Audit also attend each meeting and may be required to meet the Committee without other officers being present.

4. Training & Effectiveness

The Audit Committee receives appropriate and proportionate training. Training updates on the role of the Committee; internal audit, the internal control environment and assurance framework; risk management; and counter fraud were delivered during the year.

5. Sources of Assurance during 2019/20

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2019/20 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 2019/20 from these themes as follows:

Internal Audit

In respect of the 2019/20 financial year, a positive The Head of Internal Audit Opinion was given as follows:

“On the basis of our audit work, our opinion on the Council’s framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 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 reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council’s Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of

the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.

Internal Control

Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given 'No' level of assurance.

During the year, we have made 11 'Priority 1' or 'fundamental' recommendations. 111 'Priority 2' or 'significant' recommendations were also made.

In respect of follow up of recommendations, Internal Audit has an established process for tracking the implementation of recommendations raised and enabling management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by management".

During 2019/20, those 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 reports on the performance of the Internal Audit function during the year which indicated that the service was performing well against most of its performance measures; all key financial systems and high priority audits were completed within the plan. Council can be assured that no issues have been identified in the 2019/20 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 obtain and report on whether the Council's accounts have been properly prepared and are free from material misstatement, and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton, the Council's Auditor reported on the 2018/19 accounts during the year and concluded that:

- the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2019 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

During 2019/20, the Committee scrutinised the 2018/19 statement of accounts and also received reports on accounting policies and any associated changes. The Committee also received regular Internal Audit progress reports.

Ordinarily, the Committee would receive a number of reports covering financial management and controls in relation to 2019/20, including in relation to budgetary control, however as the meeting of the Committee scheduled for April 2020 was cancelled, this did not occur. However, the budgetary control report received a Good level of assurance – the highest available. The AGS reports on the additional financial controls put in place in relation to

Coronavirus to ensure appropriate management, monitoring and reporting of Covid-19 spend.

Risk management

Following Audit Committee approval of a revised Risk Management Strategy and work programme in 2018, progress against the programme was reported to Audit Committee during 2019/20, 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 April and September 2019 meetings.

Corporate governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2018/19 financial year concluded that the effectiveness of the system of internal control was adequate overall.

Reports were also considered on the Annual Audit Inspection Letter and on the Committee's oversight of the Council's governance arrangements to support the external auditor's annual risk assessment.

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 2020/21.

Additionally during 2019/20, the Committee undertook a review of its own effectiveness, against the CIPFA Good Practice checklist. The overall assessment was positive, with the majority (22 of 25) of questions considered to be fully compliant, with 3 assessed as partly compliant. These were:

- Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory
- Has the Committee obtained feedback on its performance from those

interacting with the Committee or relying on its work.

- Has the Committee evaluated whether and how it is adding value to the organisation.

A follow up on the above is programmed into the Committee's work plan for 2020/21. None were considered significant in nature.

A Committee decision tracking report was utilised in 2019/20 to track 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 2019/20 that were not being adequately addressed.

Appendix A

Audit Committee Meetings and Member Attendance

	Cllr Gaz Ali	Cllr Sat Johal	* Cllr Stephen Craddock	Cllr Sally Neville	Mr A Green Independent Member	* Cllr Waheed Rasab	Cllr Ann Young	Cllr Ian Robertson
22.07.2019	✓	✓	✓	✓	✓	N/A	X	✓
23.09.2019	✓	✓	✓	✓	✓	N/A	✓	✓
18.11.2019	✓	✓	✓	X	✓	N/A	✓	✓
18.02.2020	✓	✓	N/A	X	✓	✓	X	✓
06.04.2020	Meeting cancelled due to Coronavirus pandemic							
% Attendance	100%	100%	100%	50%	100%	100%	50%	100%

*Councillor Craddock was a member of the Audit Committee until November 2019 and was then replaced by Councillor Rasab

Summary of Audit Committee Work Plan 2019/20

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
22 July 2019	Committee Decision Tracking Chart					✓
	Audit Committee role, remit and work programme 2019/20					✓
	Internal Audit Annual Report and Opinion for the year ending 31 March 2019	✓				✓
	Annual Governance Statement 2018/19 including Annual Review of Effectiveness of Internal Control			✓	✓	✓
	Post Audit Statement of Accounts 2018/19 including Audit Findings Report		✓	✓		
	Audit Committee 2018/19 Annual Report to Council					✓
	Internal Audit Progress Report 2019/20	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
23 September 2019	Committee Decision Tracking Chart					✓
	Post Audit Statement of Accounts 2018/19 including Audit Findings Report		✓	✓		
	Annual Audit Letter for the year ending 31 March 2019		✓	✓		✓
	Review of Effectiveness of the Audit Committee					✓
	Risk Management Update				✓	
	Internal Audit Progress Report 2019/20	✓				
18 November 2019	Committee Decision Tracking Chart					✓
	Counter Fraud and Corruption Arrangements			✓	✓	✓
	External Audit – Audit Progress Report and Sector Update year ending 31 March 2020		✓			
	Internal Audit Progress Report 2019/20	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
18 February 2020	Committee Decision Tracking Chart					✓
	Internal Audit Progress Report 2019/20	✓				
	External Audit: Informing the Audit Risk Assessment	✓	✓	✓	✓	✓
	External Audit: Audit Planning for year ended 31 March 2020		✓			