

25 September 2024

Annual Report of the Audit Committee to Council for 2023/24

Ward(s): All

Portfolios: All

Purpose: Approve

1. Aim

- 1.1 To provide Council with oversight of the work of the Audit Committee during 2023/24 in accordance with good practice.
- 1.2 To provide assurance that the Audit Committee continues to provide robust and effective challenge to the council's governance arrangements and internal control framework.
- 1.3 To confirm that the Audit Committee complies with the CIPFA Position Statement 2022 and provide the outcome of the Audit Committee's review of its effectiveness.
- 1.4 To provide an opportunity for Council members to provide feedback or query the work of the Committee.

2. Summary

- 2.1 This report presents the proposed Annual Report of the Audit Committee 2023/24 and seeks approval for the Chair of Audit Committee for that year to present this report to full Council.

3. Recommendations

- 3.1 That Audit Committee review and provide feedback on the proposed Annual Report.
- 3.2 That, subject to any changes arising from recommendation 3.1, the Annual Report of the Audit Committee 2023/24 be approved and that the Chair of the Audit Committee present the report to the next meeting of Council.

4. Report detail – know

- 4.1 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).

- 4.2 The report complies with the CIPFA Position Statement 2022 (the “Statement”) on Audit Committees which sets out the key principles that CIPFA recommends for Audit Committees operating in local government. In that the Committee should *“report annually on how the Committee has complied with the Statement, discharged its responsibilities, and include an assessment of its performance.”*
- 4.3 The draft annual report is included as appendix 1 and outlines the responsibilities of Audit Committee and summarises the work completed in 2023/24.

Control Environment

- 4.4 Audit Committee’s work is a major aspect of the council's corporate governance and internal control 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.

Assurance of Controls

- 4.5 The production of an Annual Report to Council on Audit Committee’s work 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.

Strategic Risks

- 4.6 The role of the Audit Committee in reviewing the adequacy of internal controls is an existing control in the management of Strategic Risk 12 *“Significant Failure of Governance – a breakdown in governance to merit formal external intervention either from auditors or central government”*.

Annual Statements

- 4.7 This report is to present the Annual Report of the Audit Committee for 2023/24 prior to it being presented at the next meeting of Council.

5. Financial information

- 5.1 There are no direct financial implications arising from this report.

6. Reducing Inequalities

- 6.1 Effective governance arrangements ensure a focus on delivering of Council Plan objectives, a key driver of which is reducing inequalities.

7. Decide

- 7.1 The Committee can approve the Annual Report as set out or make suggestions for improvement.

8. Respond

8.1 Following consideration of this report, it will be presented to Council at the next available meeting.

9. Review

9.1 Any feedback received from Council members will be utilised in further Annual Reports going forward.

Background papers –

Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022

CIPFA Audit Committees: Practical Guidance for Local Authorities and Police – The Audit Committee Member in a Local Authority

Guiding the Audit Committee - Supplement to Audit Committee Member in a Local Authority guidance (CIPFA)

Audit Committee agendas, minutes and reports for the municipal year 2023/24.

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**Walsall Council
Annual Report of the Audit
Committee
Municipal Year 2023/24**

1. Introduction from the Chair of the Audit Committee

This is the tenth Annual Report of the Audit Committee and relates to its work programme for the 2023/24 municipal year.

The Council, like all other local authorities and public services continued to face significant challenges, notably the impact of inflationary and cost of living pressures and the increasing demand for services from residents and businesses, both of which in turn put pressure on the financial position of the Council.

In such difficult times the need for strong organisational governance is of paramount importance, as has been recognised from the independent investigations into financially challenged local authorities.

It is therefore both pleasing and important that the Council continues to support the Audit Committee, recognising the significance of the Committee's role and the positive contribution it makes to the Council's overall governance and accountability arrangements for the benefit of the residents of the borough, other stakeholders, and indeed the Council itself.

It is also pleasing that Group Leaders have again acted upon Audit Committee's request for consistency in membership through municipal years and there has been minimal change to the Committee membership in the past 2 years. In the Committee's view, this will enable it to provide more consistent and effective support to the Council to discharge its governance responsibilities.

Section 4 of this report provides a summary of the work undertaken during 2023/24, and I hope that this will reassure Council as to the

comprehensive level of oversight of governance arrangements provided by the Audit Committee.

The latest guidance issued by Chartered Institute of Public Finance and Accountancy (CIPFA) places increased importance on this Annual Report to Council, including on how the Committee has discharged its responsibilities; section 4 of this report provides a summary of the work undertaken during 2023/24, and I hope that this will reassure Council as to the comprehensive level of oversight of governance arrangements provided by the Audit Committee.

The CIPFA guidance also recommends that Audit Committees undertake an assessment of their performance. Consequently, the Committee undertook a review of its effectiveness using CIPFA's best practice checklist over the Summer of 2023, asking for and welcoming input into this from senior officers, External and Internal Audit.

The outcome was that the Committee is substantially compliant with CIPFA guidance and is considered effective overall, with some minor improvements identified. An action plan has been established and progress reported to the Committee; this is set out at Appendix C for completeness.

Looking ahead to 2024/25 an extensive programme of work has been approved for the Committee which has been assessed and updated against the revised CIPFA guidance.

Finally, I would like to take this opportunity to thank all those members and officers for their invaluable contributions to and support of the work of the Audit Committee in the past year.

**Mr Andy Green,
Independent Chair of the Audit
Committee 2023/24**

25 September 2024

1. Terms of Reference

The terms of reference within which the Committee operated in the 2023/24 municipal year are detailed at the following link:

[Audit Committee Role and Remit 2023/24](#)

The terms of reference were subject to a fundamental review and update following publication of updated Best Practice guidance as issued by CIPFA.

[Congruent to the important principle of transparency in governance,](#) Audit Committee meetings are open to members of the public and continued to be streamed live. It has been encouraging to see the public continue to access the meetings via the streaming service that has been available in recent years.

2. Member and Officer Attendance

The Audit Committee met 5 times during 2023/24.

Membership of the Audit Committee during 2023/24 and their attendance is detailed at Appendix A.

A number of Audit Committee members also sat on various other Council Committees and bodies.

Members considered whether there was a conflict of interest 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 manage any conflict.

Members are mindful of their responsibilities in terms of declaring an interest if they believe they may have a conflict of interest for any agenda item. Although Audit Committee is not a decision making body, members have been open and transparent, and there have been a small number of occasions where an interest has been declared.

The Audit Committee is intended to be “a-political” in nature and members are expected to be independent in mind and thought when present. This important concept, as recognised by the Council is further strengthened by the appointment of Independent Members on the Audit Committee. Following the standing down of one Independent Member in 2023, there are now two vacancies on the Committee and recruitment is currently underway with a view to further strengthening the knowledge and skill set available to support governance oversight.

Senior officers from the Council also attended the Audit Committee as required, including the Chief Executive, the S151 Officer and his deputies, the Monitoring Officer, Executive Directors and Directors/Heads of Service. Both the Head of Internal Audit to the Council and appointed External Auditor also attend each meeting and in accordance with good practice and may be required to meet the Committee without other officers being present.

3. Training and Effectiveness

Members of the Audit Committee are provided with training appropriate to the role of the Committee. During the year training was made available in matters such as the function of the Audit Committee, the nature of the internal control environment; risk management and assurance framework; the role of Internal and External Audit; accounting policies and financial statements; and counter fraud. Induction sessions were

also provided for new members of the Committee. Members of the Committee are aware they can seek further training and support from officers that support the work of the committee.

Following the assessment of its own effectiveness against CIPFA's best practice guidance an action plan was developed to deliver improvement actions identified. Progress against this action plan has been positive and will continue to be monitored by the Committee to ensure it fully complies with CIPFA guidance.

4. The Work of the Audit Committee during 2023/24

In fulfilling its terms of reference, a summary of the business conducted by the Audit Committee during 2023/24 is detailed at Appendix B, and covers the following broad themes:

- Internal Audit;
- External Audit (and Inspection);
- Financial Reporting;
- Risk Management;
- Corporate Governance.

These are discussed in more detail below:

4.1 Internal Audit

The work of Internal Audit remains the prime source of assurance for the Committee.

The Committee received the Head of Internal Audit Opinion for 2023/24 in June 2024, which states:

“On the basis of our audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of

governance, risk management and control.”

This opinion is consistent with that provided in 2022/23. The report went further and added:

“Whilst certain weaknesses and exceptions were highlighted by our audit work, none of our reviews concluded with unsatisfactory assurance. Of the 35 reviews for which an assurance opinion was provided, 14 provided substantial assurance, 16 moderate assurance and 5 limited assurance. We have raised 6 high priority recommendations, 77 medium priority recommendations and 46 low priority recommendations during the period. These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

Our Follow up work confirmed that good progress has been made on implementing outstanding high priority recommendations. These will continue to be followed up as part of the follow up programme for 2024/25”.

During 2023/24, the outcome of all Internal Audit reports was provided to the Audit Committee. Those reports that were afforded a limited assurance opinion were submitted to Audit Committee for consideration.

The Committee also received reports on the performance of the Internal Audit function which indicated that the service performed well against the majority of its performance measures; notably all key financial systems and high priority audits were completed within the plan.

The Audit Committee also endorsed Internal Audit's work plan for 2024/25.

4.2 External Audit / Inspection

The main responsibilities of the External Auditor are to obtain and report on whether the council's financial statements 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 LLP, the Council's appointed Auditor provided an unqualified opinion in their Audit Findings Report on the 2022/23 accounts and reported that:

- The financial statements gave a true and fair view of the financial position of the Council as at 31 March 2023 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 Committee also received and reviewed progress against recommendations of the External Auditor contained in its Annual Audit Findings Report; the Committee's oversight of the council's governance arrangements to support the External Auditor's annual risk assessment for financial reporting.

In addition, Audit Committee and subsequently Council received the third Annual Audit Report (2022/23) on the council's value for money arrangements in relation to:

- Improving economy, efficiency and effectiveness;
- Governance; and
- Financial sustainability.

No significant weaknesses were identified by the Auditor. Furthermore, no improvement recommendations were made in relation to Governance and a total of ten recommendations were made across the remaining two criteria for the

council to consider. Progress in dealing with these recommendations are reported to the Audit Committee.

4.3 Financial Reporting

During 2023/24, the Committee scrutinised the 2022/23 statement of accounts and also received reports on accounting policies adopted by the Council.

The Committee also received an update in relation to the Overview of Local Audit and Transparency of Local Authority Reporting (Redmond Review) and noted that the Council had addressed all the recommendations that were assigned to local authorities.

4.4 Risk management

Audit Committee received reports on risk management and reviewed the Strategic Risk Register at its meetings in September 2023, November 2023 and February 2024. Additionally, during the year, the committee has considered five specific strategic risks with relevant accountable officers attending Committee meetings to provide reassurance that actions were being taken to manage the identified risks. The five risks selected by the committee are detailed below:

- In September 2023 the committee considered strategic risk 4b concerning increased demand for services to vulnerable people.
- Strategic risk 2 relating to the Council's Proud Improvement activity was considered at the meeting in November 2023.
- At the February 2024 meeting, the Committee sought assurances for strategic risk 8 (risk of cyber security attacks) and strategic risk 9 (threats of failing to comply with legal obligations for GDPR).

- The final meeting for the committee for the municipal year 2023/24 was in April 2024 and the strategic risk 12 (failure of governance to merit formal external intervention) was reviewed.

Where appropriate feedback from the committee is shared with the Corporate Management Team for their consideration as part of their regular reviews of the Strategic Risk Register.

4.5 Corporate governance

The Annual Governance Statement (AGS) and review of effectiveness of the Council's system of internal control for the 2022/23 financial year was presented to the Audit Committee by the Chief Executive (Head of Paid Service) and Leader of the Council and concluded with reference to the opinion of the Head of Internal Audit, and the work of the Audit Committee that the effectiveness of the system of internal control was adequate overall.

Assuring the adequacy of the Council's counter fraud arrangements is an important duty of the Committee and reports on progress in relation to the Counter Fraud Response Plan were considered in November 2023 and April 2024. A review of the existing Counter Fraud Policy and Whistleblowing is also in train.

The Committee sought assurance as to the arrangements put in place for the implementation of the Elections Act 2022 and Voter ID and a further update has been requested for 2024/25 in relation to the effectiveness of implementation.

The Committee was also consulted on the Council's update to its Local Code of Governance and provided feedback and suggestions for improvement, which were incorporated into a revised Code which has now been published.

A Committee decision tracking report was again utilised in 2023/24 to track all of its decisions for which a follow-up is required. This has enabled Committee members to monitor any outstanding actions and seek updates at future meetings where applicable.

5. Conclusion

The Audit Committee is an important element of a strong governance system and as can be seen has undertaken a comprehensive work programme in furtherance of its duties and objective to provide assurance of the satisfactory operation of the control system at the Council.

The Committee will continue to focus on fulfilling its role and responsibilities in supporting the council to demonstrate strong corporate governance.