

Audit Committee – 20 July 2015

Annual Report of the Audit Committee 2014/15

Summary of report

This report presents the proposed Annual Report of the Audit Committee 2014/15 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 2014/15 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 26 July 2014.

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 2014/15.

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

James Walsh – Chief Finance Officer
7 July 2015

Walsall Council Annual Report of the Audit Committee 2014/15

1. Introduction from the Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee for the 2014/15 municipal year.

I was delighted to be elected as the first independent member to Chair the Audit Committee in September 2014, particularly in this, my first year serving as an Independent Member.

Councillor Eddie Hughes served as Chair for the first two meetings of the year. He and I both hope this report will demonstrate to the residents of the borough, the Council's stakeholders and partners as well as other elected members, the importance 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.

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

Looking ahead to 2015/16, the Audit Committee will continue to provide this robust oversight.

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



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

Fred Bell, Chair of the Audit Committee

7 July 2015

2. Terms of Reference

The terms of reference which the Committee operated to during the 2014/15 municipal year is detailed at the following link:

[Audit Committee Remit 2014/15](#)

For 2015/16, the terms of reference remain unchanged.

3. Member and Officer Attendance

Membership of the Audit Committee during 2014/15 is detailed at **Appendix A**.

The Audit Committee met 7 times during 2014/15.

A number of Audit Committee members also sat on various other committees and panels. On occasions there may have been clashes with the Audit Committee and where this occurred, apologies were always received for any episodes of non-attendance.

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. For the 2014/15 municipal year, independent membership increased from one existing serving member to three. One of the newly appointed members, Fred Bell, became the first independent Chair of the Audit Committee in September 2014.

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 receive a comprehensive training session prior to the commencement of their business year. 2014/15 was no different, with a session held in June 2014. Further training updates on treasury management and risk management were delivered during the course of the year.

5. Sources of Assurance During 2014/15

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2014/15 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 2014/15 from these themes as follows:

Internal Audit

The Head of Internal Audit gave the following opinion in her annual report for 2013/14 which was presented to the Committee on the 1 September 2014:

'In my opinion, formed solely on the basis of the work undertaken by Internal Audit and its partner organization in 2013/14, 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)'.

During 2014/15, 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 2015/16 work plan and adjustments required to the 2014/15 work plan. The Committee received progress reports against internal audit's compliance with the Public Sector Internal Audit Standards.

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. Grant Thornton is the Council's current external auditor. Their term ends in the 2014/15 financial year, with the new external auditor, Ernst & Young, taking on this responsibility from 2015/16. The Audit Committee considered Grant Thornton's annual letter during the 2014/15 municipal year which summarised issues arising from their work and highlighted some improvement actions.

In Grant Thornton's annual audit letter, they issued an unqualified opinion on the Council's 2013/14 financial statements, meeting the deadline set by the Department for Communities and Local Government. They also issued an unqualified VFM opinion.

Grant Thornton made a statutory recommendation under section 11 (3) of the Audit Commission Act 1998 in their 2012/13 opinion for the Council to review its governance arrangements. Grant Thornton reported in their 2013/14 annual letter to Audit Committee on 10 November 2014 that:

'The Council has recognised the importance of the governance agenda and made good progress in reviewing its systems and procedures. A key observation from the work was that it is not just the systems and procedures of governance that need to be effective but also (and arguably more importantly) the attitudes and behaviours of the workforce. Therefore continued strong leadership from officers and members will be required in order that the necessary cultural understanding, engagement and compliance is secured. We are therefore satisfied with the progress being made by the Council in addressing the statutory recommendation made in our 2012/13 Annual Audit Letter. On this basis, no statutory recommendations are required at this time'.

Financial management

The Committee scrutinised the 2013/14 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.

Corporate governance

The annual governance statement (AGS) and review of effectiveness for

the 2013/14 financial year, concluded that the effectiveness of the system of internal control was adequate overall.

The Audit Committee also received regular reports from the Council's Governance Forum in 2014/15 and monitored the Forum's work.

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. The Audit Committee also received reports on decisions taken under delegated authority.

6. Conclusion

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

Looking ahead, the Audit Committee last assessed its own effectiveness against recommended practice in 2013/14 and concluded that it was effective. A further update assessment is planned to take place in the 2015/16.



Councillor Daniel Barker



Mr Fred Bell (Independent) (Chair)



Councillor Keith Chambers



Councillor Stephen Craddock



Councillor Michael Flower



Mr Andrew Green (Independent)

Ms Pamela Hepburn (Independent)



Councillor Eddie Hughes (Chair part year)



Councillor Gareth Illmann-Walker (Vice Chair)



Councillor Ian Robertson

Audit Committee Meetings and Member Attendance

	Councillor D Barker	Mr F Bell	Councillor K Chambers	Councillor S Craddock	Councillor M Flower	Mr A Green	Mrs P Hepburn	Councillor E Hughes	Councillor G Illmann- Walker	Councillor I Robertson
16.07.14	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
01.09.14	✓	✓	✓	✓	x	✓	✓	✓	✓	✓
24.09.14	✓	✓	✓	✓	x Sub Cllr John Murray	x	✓	x	✓	✓
10.11.14	✓	✓	✓	✓	✓	✓	x	✓	✓	✓
05.01.15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
23.02.15	✓	✓	✓	✓	x	x	x	✓	✓	✓
20.04.15	✓	x	x	✓	✓	✓	✓	✓	✓	✓

	Chief Finance Officer	Head of Internal Audit	Head of Finance	Audit Manager	Operational Risk, Insurance & Loss Control Manager	Interim Director of Social Care & Inclusion	Head of Community Care (Partnerships)	Assistant Director – Children’s Services	Assistant Director – Early Help
16.07.14	✓	✓	x	✓	x	✓	✓	✓	✓
01.09.14	✓	✓	x	x	x	x	x	x	x
24.09.14	✓	✓	x	x	x	x	x	x	x
10.11.14	✓	✓	x	x	x	x	x	x	x
05.01.15	x	✓	x	x	x	✓ - item 12 only	x	x	x
23.02.15	✓	✓	x	x	x	✓ - item 12 only	x	x	x
20.04.15	✓	✓	x	x	x	x	x	x	x

	Interim Head of Property Services	Representative from Grant Thornton	Chief Executive	Treasury Financial Administration and Systems Manager	Executive Director Neighbourhood Services	Lead Accountant	Senior Finance Manager	Senior Accountancy Officer
16.07.14	✓	✓	X	X	X	X	X	X
01.09.14	X	✓	✓	✓	X	X	X	X
24.09.14	X	✓	X	X	✓	✓	✓	✓
10.11.14	X	✓	X	✓	X	X	X	X
05.01.15	X	✓ (x2)	X	✓	X	X	X	X
23.02.15	X	✓	✓	X	X	X	X	X
20.04.15	X	✓ (x2)	X	X	X	X	X	X

	Executive Director - Resources	Head of Legal and Democratic Services	Head of Democratic Services	Interim Assistant Director – Social Care & Inclusion
16.07.14	X	X	X	X
01.09.14	X	X	X	X
24.09.14	X	X	X	X
10.11.14	X	X	X	X
05.01.15	✓	✓	X	X
23.02.15	X	X	X	X
20.04.15	X	✓	✓	✓

Summary of Audit Committee Work Plan 2014/15

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
16 July 2014	The Proposed Remit of the Audit Committee and Draft Work Plan 2014/15					✓
	Independent Members – Travel and Subsistence Allowances					✓
	Annual Report of the Audit Committee					✓
	Medium Term Financial Strategy			✓		
	Financial Health Indicators 2013/14			✓		
	External Auditor's Audit Plan 2013/14		✓			
	Grant Thornton: Grant Certification Plan 2013/14		✓			
	Internal Audit Progress for Year Ending 31 st March 2014	✓				
	No and Limited Assurance Internal Audit Reports	✓				
	Internal Audit Unplanned Summary Report for the year ending 31 st March 2014	✓				
1 September 2014	Corporate Governance Forum Report					✓
	Treasury Management Annual Report			✓		
	Confidential Reporting (Whistleblowing) Procedure					✓
	Internal Audit's Annual Report	✓				
	Public Sector Internal Audit Standards	✓				
	No and Limited Assurance Internal Audit Reports	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
24 September 2014	Regulation of Investigatory Powers Act (RIPA) 2000					✓
	Post – Audit Statement of Accounts 2013/14		✓			
	External Auditor’s Value for Money Report 2013/14		✓			
	The Annual Review of the Effectiveness of the systems of Internal Audit and the Annual Governance Statement 2013/14					✓
	Financial Health Indicators 2014/15			✓		
	Risk Management Update 2014/15				✓	
	Risk Management Update 2014/15 (exclusion of public)				✓	
10 November 2014	Annual Review of the Treasury Management Policies and mid-year position statement 2014/15			✓		
	Financial Health Indicators 2014/15			✓		
	Annual Audit Letter 2013/14		✓			
	Internal Audit Update Report	✓				
	Internal Audit Update Report (exclusion of public)	✓				
No or Limited Assurance Internal Audit Reports	✓					
5 January 2015	Corporate Governance Review – January 2015 Update					✓
	Grant Thornton: Grant Certification Report 2013/14		✓			
	Treasury Management Strategy 2015/16			✓		

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Submission of Corporate Risk for Scrutiny				✓	
	Officers Exercise of Delegated Powers 2013/14					✓
	No or Limited Assurance Internal Audit Reports	✓				
23 February 2015	Independent Member to Audit Committee: Mr A Green's Term of Office Expiry					✓
	Submission of Corporate Risk for Scrutiny				✓	
	Financial Health Indicators 2014/15			✓		
	Audit Committee Report responding to external audits request for information on how the Audit Committee gains assurance over management processes and arrangements					✓
	Internal Audit Work Plan 2015/16	✓				
	No or Limited Assurance Internal Audit Reports	✓				
20 April 2015	Reporting Requirements under Part 3.5, Clause 2 Council Constitution					✓
	Annual Review of the Scheme of Delegations					✓
	Revised Corporate Risk Management Strategy (CRMS) 2015/16				✓	
	Risk Management Update				✓	
	Accounting Policies 2014/15			✓		
	Review of Constitution – Part 4; Section 7 – Financial Rules					✓
	Protecting the Public Purse and Anti					✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Fraud and Corruption Arrangements					
	Risk Management Update				✓	
	Independent Sector – Residential and Nursing	✓				
	No and Limited Assurance Internal Audit Reports	✓				