

## **Audit Committee - 16 July 2014**

### **THE PROPOSED REMIT OF THE AUDIT COMMITTEE & DRAFT WORK PLAN 2014/15**

#### **Summary of report**

This report outlines the proposed revisions to the remit of the Audit Committee and the draft work plan for 2014/15.

#### **Recommendations**

1. To approve the proposed revisions to the remit of the Audit Committee and in doing so recommend to Council that the Constitution be amended accordingly to reflect the proposed changes.
2. To approve the draft work plan for 2014/15.



**James Walsh**  
**Chief Finance Officer**  
**2 July 2014**

#### **Resource and legal considerations**

The Audit Committee's remit is included within Part 3 of the council's constitution. The Audit Committee comprises 7 councillors and 3 independent (non-voting) members.

#### **Citizen impact**

The committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes providing an independent assurance on the adequacy of the risk management framework and internal control environment. It provides an independent review of governance, risk management, financial reporting and annual governance processes, as well as overseeing the work of internal and external audit. This provides assurance to local tax payers 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**

CIPFA latest 2013 practical guidance has been consulted in establishing the proposed remit.

## **Background papers**

CIPFA 2013 guidance 'Audit Committees Practical Guidance for Local Authorities & the Police'. Previous reports to Cabinet, Council and Audit Committee.

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## **1. THE REMIT OF THE COMMITTEE**

- 1.1 For 2014/15 the remit of the Audit Committee has been reviewed in line with the latest CIPFA 2013 guidance 'Audit Committees Practical Guidance for Local Authorities & the Police'. **Appendix 1** details the current remit of the Audit Committee against that proposed. Audit Committee are requested to approve the proposed revisions and in doing so recommend to Council that the Constitution be amended accordingly to reflect the proposed changes.

## **2. TRAINING AND DEVELOPMENT**

- 2.1 To optimise the effectiveness of the Audit Committee, members were provided with training on 30 June 2014, to enable them to effectively discharge their role. On-going training and development will be provided as necessary.

## **3. WORKPLAN 2014/15**

- 3.1 The work plan has been organised so that during the course of the year, the Audit Committee gains assurance from each of the elements of the overall governance framework as set out in the annual governance statement.
- 3.2 This list is indicative rather than exhaustive.
- 3.3 The refreshed work plan for 2014/15 is attached at **Appendix 2**.

**Appendix 1**

<b>Current</b>	<b>Proposed</b>
<p><b>11. AUDIT COMMITTEE</b></p> <p><b>Membership</b></p> <p>7 Members of the authority as determined by the Council with a maximum of 3 co-opted members (non-voting) appointed by the Council.</p> <p><b>Substitutes</b></p> <p>Substitute members may be nominated to the Committee in accordance with paragraph 4 of the Council procedure rules (Part 4).</p> <p><b>Chairman and Vice-Chairman</b></p> <p>The Chairman and Vice-Chairman will be appointed at the Annual Council meeting for the municipal year.</p> <p><b>Quorum</b></p> <p>The quorum of the Committee shall be one third of the membership, subject to a minimum of two.</p> <p><b>Meetings</b></p> <p>The Committee will meet six weekly, or thereabouts and will usually meet at the Council House, Walsall at 6.00 p.m.</p> <p><b>Access to information</b></p> <p>The Committee will comply with the Access to Information Rules set out in Part 4 of the Constitution.</p>	<p><b>11. AUDIT COMMITTEE</b></p> <p><b>Membership</b></p> <p>7 Members of the authority as determined by the Council with a maximum of 3 independent members (non-voting) appointed by the Council.</p> <p><b>Substitutes</b></p> <p>Substitute members may be nominated to the Committee in accordance with paragraph 4 of the Council procedure rules (Part 4).</p> <p><b>Chairman and Vice-Chairman</b></p> <p>The Chairman and Vice-Chairman will be appointed at the Annual Council meeting for the municipal year.</p> <p><b>Quorum</b></p> <p>The quorum of the Committee shall be one third of the membership, subject to a minimum of two.</p> <p><b>Meetings</b></p> <p>The Committee will meet six weekly, or thereabouts and will usually meet at the Council House, Walsall at 6.00 p.m.</p> <p><b>Access to information</b></p> <p>The Committee will comply with the Access to Information Rules set out in Part 4 of the Constitution.</p>

<p><b>Remit</b></p> <p>To act as the Council's Audit Committee, the purpose of which is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting.</p> <p><b>Delegations</b></p> <p>To exercise the following powers and functions of the Council:</p> <ol style="list-style-type: none"> <li>(1) Consider the effectiveness of the Council's control environment and associated anti-fraud and anti-corruption arrangements.</li> <li>(2) Consider the effectiveness of the Council's risk management arrangements.</li> <li>(3) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.</li> <li>(4) Be satisfied that the Council's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions to improve it.</li> <li>(5) Approve (but not direct) internal audit's strategy, plan and monitor performance.</li> <li>(6) Review summary internal audit reports and main issues arising and seek assurance that action has been taken where necessary.</li> </ol>	<p><b>Purpose</b></p> <p>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 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.</p> <p><b>Delegations</b></p> <p>To exercise the following powers and functions of the Council:</p> <p><b>Governance, risk and control</b></p> <ol style="list-style-type: none"> <li>(1) To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.</li> <li>(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.</li> <li>(3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.</li> <li>(4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the</li> </ol>
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<p>(7) Receive the annual report of the Head of Internal Audit.</p> <p>(8) Review the effectiveness of key control strategies including; risk management, the local code of governance, arrangements for delivering value for money, anti-fraud arrangements and anti-corruption.</p> <p>(9) Consider the reports of external audit and inspection agencies.</p> <p>(10) Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.</p> <p>(11) Review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.</p> <p>(12) Calling officers and/or Chairs of Committees to assist the Committee in its work.</p> <p>(13) Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.</p> <p>(14) To review any issue referred to it by the Chief Executive or any Director or any Council bodies.</p> <p>(15) To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.</p>	<p>Council.</p> <p>(5) To monitor the effective development and operation of risk management in the Council.</p> <p>(6) To monitor progress in addressing risk related issues reported to the committee.</p> <p>(7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</p> <p>(8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.</p> <p>(9) To monitor the counter fraud strategy, actions and resources.</p> <p>(10) Calling officers and/or Chairs of Committees to assist the Committee in its work.</p> <p>(11) To maintain an overview of the Council's constitution in respect of both contract and financial rules.</p> <p><b>Internal Audit</b></p> <p>(12) To approve the internal audit charter.</p> <p>(13) To commission work from internal audit.</p> <p>(14) 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.</p> <p>(15) To approve significant interim changes to the risk-based internal audit planning resource requirements.</p>
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|  | <ul style="list-style-type: none"><li>(16) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.</li><li>(17) 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 will include:<ul style="list-style-type: none"><li>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.</li><li>b. Regular reports on the results of the Quality Assurance and Improvement Programme.</li><li>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.</li></ul></li><li>(18) To consider the head of internal audit's annual report:<ul style="list-style-type: none"><li>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.</li><li>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.</li></ul></li><li>(19) To consider summaries a specific internal audit reports as requested.</li></ul> |
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- (20) 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.
- (21) 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.
- (22) 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.
- (23) To support the development of effective communication with the head of internal audit.

**External audit**

- (24) To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.
- (25) To consider specific reports as agreed with the external auditor.
- (26) To comment on the scope and depth of external audit work to ensure it gives value for money.
- (27) To commission work from external audit.
- (28) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies all relevant bodies.

**Financial reporting**

- (29) 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 or from the audit that need to be brought to the attention of the Council.
- (30) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

**Accountability arrangements**

- (31) To report to those charged with governance of the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- (32) 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 – 2014/15

Activity / Area of Assurance	Lead Officer	30 <sup>th</sup> June (Training only)	16 <sup>th</sup> July 2014	1 <sup>st</sup> Sept 2014	24 <sup>th</sup> Sept 2014	10 <sup>th</sup> Nov 2014	5 <sup>th</sup> Jan 2014	23 <sup>rd</sup> Feb 2015	20 <sup>th</sup> April 2015
<b>Audit Committee Work:</b>									
Audit Committee remit and work programme	HOF/HIA		✓						
Chair's Annual Report to Council	CFO		✓						
Review of the Effectiveness of the Audit Committee	HOF/HIA								✓
<b>Internal Audit:</b>	HIA								
Public Sector Internal Audits Standards	HIA			✓					
Internal Audit Progress Report for the year ending 31 March 2014.	HIA		✓						
Internal Audit Progress Report for the 6 months to September 2014.	HIA					✓			
Limited and no assurance audit reports for scrutiny	HIA	As Required							
Annual report into the overall adequacies of the internal control environment for 2013/14	HIA			✓					
Internal Audit work plan 2015/16	HIA							✓	
<b>Financial Management and Statement of Accounts:</b>	CFO								
Audit Committee's report responding to the External Auditor's request for information on how the Audit Committee gains assurance over management processes and arrangements and response	HOF							✓	
2013/14 Post Audit Statement of Accounts	CFO				✓				

Activity / Area of Assurance	Lead Officer	30 <sup>th</sup> June (Training only)	16 <sup>th</sup> July 2014	1 <sup>st</sup> Sept 2014	24 <sup>th</sup> Sept 2014	10 <sup>th</sup> Nov 2014	5 <sup>th</sup> Jan 2014	23 <sup>rd</sup> Feb 2015	20 <sup>th</sup> April 2015
<b>Financial Management and Statement of Accounts - Continued:</b>	<b>CFO</b>								
Accounting Polices 2014/15	<b>HOF</b>								✓
Medium Term Financial Strategy - Update approved by Cabinet on 2 <sup>nd</sup> July, 2014, to be circulated	<b>HOF</b>		✓						
Financial Health Indicators 2013/14	<b>HOF</b>		✓						
Financial Health Indicators 2014/15	<b>HOF</b>			✓		✓		✓	
Treasury Management Annual Report 2013/14	<b>HOF/TM</b>			✓					
Treasury Management Annual Review of Policy Statements and Mid-Year Review 2014/15	<b>HOF/TM</b>					✓			
Treasury Management Strategy 2015/16	<b>HOF/TM</b>						✓		
Value for Money	<b>CFO</b>					✓			
<b>Risk Management:</b>	<b>HOF</b>								
Risk Management Strategy - Review	<b>RM</b>							✓	
Risk Management updates - Corporate Risk Register	<b>RM/SFM</b>				✓			✓	
<b>Governance / Other:</b>	<b>CFO/MO</b>								
Summary of Decisions taken under Chief Officer Delegations 2014/15	<b>MO/HDS</b>				✓				
Annual Review of the Scheme of Delegations to Officers	<b>MO/HDS</b>								✓
Council Contract and Finance Rules (Constitution)	<b>MO/CFO</b>								✓

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<b>Governance / Other - Continued:</b>	<b>CFO/MO</b>								
Regulation of Investigatory Power Act (RIPA)	<b>ED NS /HIA</b>			✓			✓		✓
Annual Governance Statement 2013/14 including Annual Review of Effectiveness of Internal Control	<b>CEO</b>			✓					
Protecting the Public Purse and Anti-Fraud and Corruption arrangements								✓	
Corporate Governance Forum Report	<b>CFO/MO</b>		✓		✓				
Independent Member Appointment (as and when required) * Mr Green's office expires in May, 2016	<b>CFO/HIA</b>								
<b>Performance Management:</b>									
Reporting of External inspections (as and when required)	<b>CFO</b>								
Performance management arrangements	<b>CPM</b>					✓			

<b>ADDITIONAL WORK AS IDENTIFIED AT / BY COMMITTEE OR CHIEF EXECUTIVE / E.D.</b>	<b>Lead Officer</b>								
As and when identified. Also to include reports by inspectors, public interest reports etc...									
OFSTED Improvement Notice and Safeguarding and LAC report - Update	<b>EDCS</b>								

Activity / Area of Assurance	Lead Officer	30 <sup>th</sup> June (Training only)	16 <sup>th</sup> July 2014	1 <sup>st</sup> Sept 2014	24 <sup>th</sup> Sept 2014	10 <sup>th</sup> Nov 2014	5 <sup>th</sup> Jan 2014	23 <sup>rd</sup> Feb 2015	20 <sup>th</sup> April 2015
<b>SPECIFIC GRANT THORNTON WORK</b>	<b>Lead Officer</b>								
Grant Certification Plan 13/14			✓						
Annual Report to those Charged with Governance (ISA260)	GT				✓				
Grants Certification 2013/14	GT						✓		
Interim Audit Report 2013/14	GT		✓						
Financial Resilience Report	GT				✓				
Annual Audit Letter	GT					✓			

<p><b><u>Key to Lead Officer:</u></b></p> <p><b>MO</b> – Assistant Director of Legal &amp; Democratic Services (Monitoring Officer)  <b>CFO</b> – Chief Finance Officer / S151 Officer  <b>CEO</b> – Chief Executive Officer  <b>ED</b> – Executive Director  <b>EDNS</b> – Executive Director Neighbourhood Services  <b>EDCS</b> – Executive Director Children’s Services</p>	<p><b>HIA</b> – Head of Internal Audit  <b>HF</b> – Head of Finance  <b>HDS</b> – Head of Democratic Services  <b>SFM</b> – Senior Finance Manager  <b>RM</b> – Risk Manager  <b>TM</b> – Treasury Manager  <b>CPM</b> – Corporate Performance Manager  <b>GT</b> – Grant Thornton: External Auditors</p>
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