

AUDIT COMMITTEE

4 SEPTEMBER 2006

AGENDA
ITEM

THE ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Summary of report:

This report outlines the role and responsibilities of the Audit Committee and a draft workplan/timetable for 2006/7 is attached at **Appendix 1**.

Background papers:

Previous reports to Cabinet, Council and Audit Committee.

Recommendations:

1. To note the contents of the report and approve the workplan set out at Appendix 1.



Signed:

Executive Director: **Carole Evans** **7 August 2006**

Resource and legal considerations:

The Audit Committee's terms of reference and delegations are included within Part 3 of the Council's constitution. The terms of reference and delegations are set out in the report. The Audit Committee comprises 7 councillors and one co-opted (non-voting) member. The latter is currently vacant and previous advertisements for the position have proved unsuccessful; but we intend to advertise again.

Citizen impact:

The Committee's work is a major aspect of the Council's corporate governance framework. Its wide-ranging remit ensures that effective systems of internal control are in operation, considering internal audit reports (including management responses to recommendations), reviewing the quality assurance and performance management processes and calling officers and members to inform its work. This also provides assurance to local tax payers and other stakeholders regarding the security of the Council's operations.

Environment impact:

None arising directly from this report.

Performance and Risk Management Issues:

The Audit Committee plays an important role in considering the arrangements for and the merits of operating governance and performance management processes. This includes a key role in reviewing the mechanisms for the assessment and management of risk.

Equality Implications:

None arising from this report.

Consultation:

Wide ranging consultation took place in establishing the Audit Committee. The committee's core functions and structure are in accordance with the CIPFA practical guidance.

Contact Officer

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1. THE REMIT OF THE COMMITTEE

1.1 The committee's principal function is to act as the Council's Audit Committee with the following terms of reference and delegations:

- a) Contributing to the Council's governance by ensuring an effective internal control environment is maintained (both through reviewing the Statement of Internal Control and more widely);
- b) Reviewing the mechanisms for the assessment and management of risk;
- c) Endorsing a work plan for internal audit;
- d) Receiving periodic reports on the work of internal audit;
- e) Receiving reports on management responses to internal audit reports and recommendations.
- f) Considering recommendations and reports from external auditors;
- g) Considering arrangements for and the merits of operating quality assurance and performance management processes;
- h) Approving the Council's statement of accounts;
- i) Calling officers and/or committee chairs to assist the Committee in its work;
- j) Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.

2. TRAINING AND DEVELOPMENT

2.1 To optimise the effectiveness of the role, Audit Committee members have had opportunities to engage in tailor made training. This continues to be available on request. Topics have included:- the role of the Audit Commission; Risk Management; the role of Internal Audit, the Council's constitution; the corporate integrated planning and performance framework; CPA arrangements; use of resources judgement and scrutinising the Statement of Accounts.

3. PRACTICAL ACTIVITIES

3.1 The following are practical activities that are undertaken by the committee:

- **Annual Audit letter** - receipt of the Audit Commission's annual audit letter, seeking a greater understanding of the underlying issues by questioning the District Auditor, executive director, cabinet members and senior officers, receiving and endorsing the resulting action plan, and receiving regular updates to ensure all the issues are being suitably addressed.

- **External and Internal Audit Plans** - receiving and seeking a greater appreciation of each of the annual audit plans; how it is constructed, developed and delivered.
- **Internal Audit Projects** - undertaking a specific project into, for example, how the internal audit service operates, how particular types of audit are undertaken, how auditors are trained, what standards they use.
- **Risk Management** - receiving and endorsing the Council's risk management policy, strategic risk register, a schedule of operational risks, participating in the identification and management of risk and opportunity ensuring that all parts of the Council adopt the policy and proactively manage risks in the best interests of the Council.
- **Internal Audit Progress** - receiving and scrutinising quarterly reports from internal audit outlining their activities, and progress against annual targets and benchmarks, ensuring they have sufficient resources to undertake their responsibilities and that activity is taking place to appropriate standards, reviewing the operation of the internal audit partnership.
- **Audit reports** - receiving reports from the internal and external auditors, selecting particular reports for additional and detailed scrutiny to test that issues are being dealt with in an acceptable manner, identifying any cross cutting themes, and ensuring audit recommendations are being implemented by managers, or seeking to understand why not.
- **Statement of Accounts** - receiving the draft statement of accounts, asking detailed and searching questions about the draft statement and endorsing it for formal submission to external audit, receiving the finalised post-audit Statement of Accounts, taking note of any audit issues and their impact on the Statement of Accounts, ensuring any issues are dealt with appropriately and resolved.

This list is indicative rather than exhaustive. A draft annual workplan has been discussed with the committee chairman and is attached at **Appendix 1**.

WALSALL MBC - AUDIT COMMITTEE - WORK PROGRAMME & TIMETABLE 2006/7

| Activity | Lead Officer | Public/Private | June | Jul Special | Sep 2006 | Sep Special | Oct 2006 | Dec 2006 | Jan 2007 | Mar 2007 | Apr 2007 |
|---|--------------|----------------|------|-------------|----------|-------------|----------|----------|----------|----------|----------|
| DATE OF MEETING | | | 29th | 25th | 4th | 29th | 16th | 4th | 16th | 5th | 16th |
| Draft reports to Constitutional Services | Various | | | | 11.08.06 | 08.09.06 | 22.09.06 | 10.11.06 | 15.12.06 | 09.02.07 | 23.03.07 |
| Date of Chair's briefing meeting w/c | JW | | | | 14.08.06 | 11.09.06 | 25.09.06 | 13.11.06 | 18.12.06 | 12.02.07 | 26.03.07 |
| Final reports to Constitutional Services | Various | | | | 22.08.06 | 20.09.06 | 05.10.06 | 23.11.06 | 05.01.07 | 22.02.07 | 06.04.07 |
| Role and remit and work programme | CDE | Public | | | ✓ | | | | | | |
| Risk management - annual review of risk management policy/strategy | AJ | Public | | | | | | ✓ | | | |
| Risk management - quarterly review of strategic risks | AJ | Public | | | ✓ | | | ✓ | | | ✓ |
| Internal Audit workplan 2007/8 | DB | Public | | | | | | | | ✓ | |
| Internal Audit quarterly performance report | DB | Split | | | ✓ | | ✓ | | | ✓ | |
| Selected internal audit reports for scrutiny | DB | Public | | | | | ✓ | ✓ | | | ✓ |
| Audit Commission reports (as received) | BW | Public | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Audit Commission Annual Audit & Inspection Letter 2006/7 | BW | Public | | | | | | | ✓ | | |
| Annual Audit & Inspection Letter 2006/7 action plan | JW | Public | | | | | | | | ✓ | |
| Annual Audit & Inspection Letter 2005/6 progress against action plan | JW | Public | | | ✓ | | ✓ | | ✓ | | ✓ |
| Quality assurance & performance management infrastructure/process | RF | Public | | | | | | ✓ | | | |
| Approving the 2005/6 statement of accounts (subject to audit) and statement of internal control | VC | Public | ✓ | | | | | | | | |
| Approving 2005/6 final statement of accounts following audit | VC | Public | | | | ✓ | | | | | |
| Review and appraisal of officers' statutory responsibilities/delegations | JW/BG/ DB | Public | | | | | | | ✓ | | |
| Review of the effectiveness of the system of internal control | JW/VC/ DB | Public | | | | | | | | | ✓ |
| Review of the effectiveness of the system of internal audit | JW/VC/ DB | Public | | | | | | | | | ✓ |
| SPECIFIC WORK | | | | | | | | | | | |
| | | | | | | | | | | | |

KEY: CDE - C Evans; JW - J Walsh; BG - B Gill; RF - R Flinter; BW - B Warwick; DB - D Blacker; VC - V Crowshaw; AJ - A Johnson