

21 November

Annual Report of the Audit Committee 2021/22

Ward(s): All

Portfolios: All

Purpose: Approve

1. Aim

- 1.1 To provide Council with oversight of the work of the Audit Committee during 2021/22 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 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 2021/22 and seeks approval for the Vice Chair of Audit Committee to present this report to 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 2021/22 be approved and that the Vice Chair of the Audit Committee during 2021/22 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 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.

4.3 The production of an Annual Report to Council on Audit Committee's work 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. 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.

10. Background papers

10.1 Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and).

10.2 Audit Committee agendas, minutes and reports for the municipal year 2021/22.

Author

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31 October 2022

**Walsall Council
Annual Report of the Audit
Committee
Municipal Year 2021/22**

1. Introduction from the Chair of the Audit Committee

This is the eighth Annual Report of the Audit Committee, and relates to its work programme for the 2021/22 municipal year.

The Council, like all other local authorities and public services have faced a number of challenges in the past couple of years and especially during the COVID 19 pandemic. Whilst these may have eased, new and equally significant challenges emerge, such as the cost of living crisis, affecting residents, service users, businesses and the Council itself. In times like this especially, strong organisational governance is of paramount importance.

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.

Section 4 of this report provides a summary of the work undertaken during 2021/22, and I hope that this will reassure Council as to the comprehensive level of oversight of governance arrangements provided by the Audit Committee.

Looking ahead to 2022/23 an extensive programme of work has already been approved for the Committee.

In addition to this, the Committee, with the support of officers, will undertake a review of its own effectiveness against the CIPFA Good Practice checklist. However, there has been considerable change in the membership of the Committee for 2022/23, so it has been agreed to postpone this review until later in the year so as to enable the six new Councillor Members to experience as much of the full cycle of work programme responsibilities.

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 2021/22**

9 November 2022

1. Terms of Reference

The terms of reference within which the Committee operated in the 2021/22 municipal year are detailed at the following link:

[Audit Committee Role and Remit 2021/22](#)

Congruent to the important principle of transparency in governance, Audit Committee meetings are open to members of the public and it has been encouraging to see the public continue to follow its meetings remotely during the past year.

2. Member and Officer Attendance

The Audit Committee met 5 times during 2021/22.

Membership of the Audit Committee during 2021/22 and their attendance is detailed at Appendix A.

A number of Audit Committee members also sat on various other Council Committees and panels. There were no matters debated at Audit Committee during the year that created a conflict of interest and necessitated members absenting themselves from meetings. 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.

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 two Independent Members on the Audit Committee.

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

3. Training & 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.

4. The Work of the Audit Committee during 2021/22

In fulfilling its terms of reference, a summary of the business conducted by the Audit Committee during 2021/22 is detailed at Appendix B, and covers the following broad themes:

- Internal Audit;
- External Audit (and Inspection);

¹ During 2021/22, the assurance definition changed from Good, Substantial, Limited or Nil to Substantial, Moderate, Limited or Unsatisfactory, with Moderate being equivalent to the previous definition of

- Financial Reporting;
- Risk Management;
- Corporate Governance.

These are discussed in more detail below:

4.1 Internal Audit

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

In respect of the 2021/22 financial year, the following Head of Internal Audit Opinion has been given:

*“On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Moderate**¹ 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.*

Whilst weaknesses and exceptions were highlighted by our audit work, none of our reviews concluded with ‘unsatisfactory’ assurance. Of the 40 reviews for which an assurance opinion was provided, seven provided ‘substantial’ assurance, 24 ‘moderate’ assurance and 10 ‘limited’ assurance.

We have raised 6 high priority recommendations, 106 medium priority recommendations and 77 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, although some

‘Substantial’. This was to align definitions for audit assurance and recommendations with that of the Government Internal Audit Agency, which will enable future benchmarking across the public sector.

medium priority recommendations raised from prior years are yet to be fully implemented. This indicates risks identified in previous years are still potentially valid and could impact Walsall's overall control environment”.

During 2021/22, 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. Additionally, Audit Committee asked for internal audits in several specific areas during the year, including in relation to S106² planning obligation monies and public health governance. Subsequently Audit Committee called relevant accountable officers to provide re-assurance that actions were being taken to address the identified weaknesses in control.

The Committee also received reports on the performance of the Internal Audit function which indicated that the service was performing 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 2022/23.

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, the Council's appointed Auditor provided an unqualified opinion in their Audit Findings Report on the 2020/21 accounts and reported that:

- The financial statements gave a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended;
- The financial information in the Financial Report was consistent with the financial statements.

In addition Audit Committee and subsequently Council received the first Annual Audit Report (2020/21) on the council's value for money arrangements in relation to:

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

For all three criteria no significant weaknesses were identified. Eight improvement recommendations for the council to consider were made across the three criteria. Progress in relation to these will be reported to and monitored by the Audit Committee in 2022/23.

In November 2021, Audit Committee was consulted on proposals for appointing the council's External Auditor to the council for five years commencing 1 April 2023. Committee members discussed the options open to the Council, and were in agreement with officers' recommendations that 'opting in' to the sector-wide procurement conducted by Public Sector Audit Appointments would be most beneficial for the Authority. This was subsequently approved by full Council.

4.3 Financial Reporting

During 2021/22, the Committee scrutinised the 2020/21 statement of accounts and also received reports on accounting policies.

² Section 106 (S106) agreements or planning obligations are private arrangements made between local authorities and developers which seek to secure contributions from developers which are used to offset

the impact that their scheme may have on a local community.

The Committee also received and reviewed progress against recommendations of the External Auditor contained in its Annual Audit Findings Report, and on the Committee's oversight of the council's governance arrangements to support the External Auditor's annual risk assessment for financial reporting.

4.4 Risk management

Audit Committee received reports on risk management and reviewed the Strategic Risk Register at its meetings in September 2021 and February 2022.

In November 2021, the Committee received and commented on a report on the development of an assurance map (the process by which an organisation gathers the different levels of internal and external assurance that the council relies on in respect of its strategic risks) for the Strategic Risk Register (SRR). The aim of the map is to assist in providing assurance to the Audit Committee and Council that risks are being effectively managed. The map will continue to develop during 2022/23 with it being used to inform the council's Annual Governance Statement.

A review of the Risk Management Strategy is planned for 2022/23.

4.5 Corporate governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2020/21 financial year was presented to the Audit Committee by the Chief Executive (Head of Paid Service) 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.

A review of the adequacy of the council's counter fraud arrangements was undertaken in 2020/1 and reported to Audit Committee in April 2021. Reports on progress have been considered in September 2021 and February 2022 and

in April 2022 the Committee approved an updated Anti Money Laundering Policy.

A Committee decision tracking report was again utilised in 2021/22 to track all of its decisions for which a follow-up is required, to enable 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.

Appendix A

Audit Committee Meetings and Member Attendance

	Mr A Green Independent Member (Chair)	Cllr S Johal (Vice- Chair)	Cllr P Smith *	Cllr B Chatta	Cllr G Flint	Cllr Pedley **	Cllr R Martin ***	Cllr I Robertson	Ms S Ajaz Independent Member
08.07.2021	✓	✓	✓	x	✓	✓	N/A	✓	✓
27.09.2021	✓	x Cllr Kaur substituted	N/A	x	✓	✓	N/A	✓	✓
22.11.2021	✓	x Cllr Elson substituted	N/A	x	✓	N/A	N/A	✓	x
22.02.2022	✓	✓	N/A	x	✓	N/A	x Cllr Elson substituted	✓	x
28.04.2022	✓	x Cllr Elson substituted	N/A	x	✓	N/A	✓	✓	✓
% Attendance	100%	40% (60% substitute attendance)	100%	0%	100%	100%	50% attendance (50% substitute attendance)	100%	60%

*Councillor P. Smith stood down after the July 2021 meeting

**Councillor K. Pedley stood down after the September 2021 meeting as he became a member of the Cabinet on 8 November 2021

***Councillor R. Martin replaced Councillor K. Pedley on 21 January 2022

Summary of Audit Committee Work Plan 2021/22

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
8 July 2021	Committee Decision Tracking Chart					✓
	Audit Committee role, remit and work programme 2021/22					✓
	Audit Committee 2020/21 Annual Report to Council					✓
	Internal Audit Annual Report and Opinion for the year ending 31 March 2021	✓				✓
	Pre-Audit Statement of Accounts 2020/21			✓		✓
	Annual Governance Statement 2020/21 including Annual Review of Effectiveness of Internal Control			✓	✓	✓
	Corporate Plan Markers of Success			✓	✓	✓
	Internal Audit Progress Report 2021/22 and KPI's	✓				
	P1 Recommendations (Private)	✓				
27 September 2021	Committee Decision Tracking Chart					✓
	Corporate Plan and Markers of Success			✓	✓	✓
	Post-Audit Statement of Accounts 2020/21			✓		✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
27 September 2021 (Continued)	Internal Audit Progress Report 2021/22	✓				
	Risk Management Update				✓	
	Counter Fraud Response Plan			✓	✓	✓
	P1 Recommendations (Private)	✓				
22 November 2021	Committee Decision Tracking Chart					✓
	Internal Audit Progress Report 2021/22	✓				
	Audit Committee Assurance Map				✓	
	External Audit Progress Update		✓			
	Retender of External Audit Contract		✓			✓
	P1 Recommendations (Private)	✓				
22 February 2022	Committee Decision Tracking Chart					✓
	Update on 2020/21 Debtors Position			✓	✓	
	External Audit Annual Report 2020/21		✓	✓	✓	✓
	Risk Management Update 2021/22				✓	
	Internal Audit Progress Report 2021/22	✓				
	Counter Fraud and Corruption Arrangements Update			✓	✓	✓
	External Audit Plan 2021/22 accounts		✓			
	External Audit - Informing the Audit Risk Assessment 2021/22 accounts		✓	✓	✓	✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
	Internal Audit Work Plan and Charter 2022/23	✓				
	Redmond Review Update		✓			
	P1 Recommendations (Private)	✓				
28 April 2022	Committee Decision Tracking Chart					✓
	External Audit – Audit Planning Report for the year ending 31 March 2022		✓			
	Accounting Policies 2021/22 Accounts		✓		✓	
	Amendments to Officers Delegations under Part 3.5 of the Council's Constitution					✓
	Performance Management Framework					✓
	Internal Audit Progress Report and KPI's 2021/22	✓				
	Updated Anti Money Laundering Policy			✓		✓
	Inspection Reports		✓			✓
	Risk Management Update – Assurance Map				✓	
	Reports of Interest to Members (Private)	✓				
	P1 Recommendations (Private)	✓				