

8 July 2021

Annual Report of the Audit Committee 2020/21

Ward(s): All

Portfolios: All

Purpose: Approve

1. Aim

- 1.1 To provide Council with oversight of the work of the Audit Committee during 2020/21 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 2020/21 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 2020/21 be approved and that the Vice Chair of the Audit Committee during 2020/21 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 Whilst there are no direct financial implications arising from this report, financial management is a key component of the council's governance arrangements. The Annual Governance Statement presented to Audit Committee in July 2021 included an assessment of the council's compliance with the CIPFA Code of Financial Management for which 2020/21 was a shadow year.

6. *Reducing Inequalities*

6.1 Effective governance arrangements ensure a focus on delivering of Corporate 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.

9.2 It is important that existing practices are regularly reviewed to continuously improve. Identifying areas of best practice in other authorities is a key component of this process. It has been recognised that a succinct guide to Audit Committee be produced and made available both to the public and members of the Council.

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 2020/21.

Author

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15 June 2021

**Walsall Council
Annual Report of the Audit
Committee
Municipal Year 2020/21**

1. Introduction from the Chair of the Audit Committee

I am pleased to present the seventh Annual Report of the Audit Committee for the 2020/21 municipal year.

It is important that the Council continues to support the establishment of 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.

Audit Committee meetings are open to members of the public and it has been encouraging to see more of the public follow its meetings which have necessarily been conducted remotely during the COVID-19 pandemic; I hope that when it is deemed safe that residents might be able to attend the meetings in person.

Undoubtedly the past year was one of significant challenge for Walsall residents, service users, businesses, stakeholders, and the Council itself which had to introduce and accelerate new ways of working to safely comply with COVID-19 regulations whilst maintaining service delivery, and supporting employees and residents. Strong governance and internal controls during this period have been of vital importance.

Since March 2020 all Councils across the country have been operating in an unprecedented emergency response situation. The necessary imposition of Government restrictions and associated measures have had, and continue to have a significant impact on how and what services the Council provides to its residents and services users and has necessitated changes to the Council's governance arrangements. These changes have been reported in the Council's Annual Governance Statement (AGS), but it has been an additional role of the Audit Committee to seek assurance

as to the appropriateness and probity of the changes put in place.

Looking ahead to 2021/22 there is an extensive programme of work planned for the Committee. Over and above its normal activities, it is considered timely, in the context of the significant financial challenges facing the public sector, increasing demands and shrinking resources, for the Committee to seek assurance as to the adequacy and fitness for purpose of the overall Governance Framework of the Council.

In concluding my introduction I would like to take this opportunity to thank all those members and officers for their invaluable contributions to the work of the Audit Committee in the past year.

**Mr Andy Green,
Independent Chair of the Audit
Committee 2020/21**

8 July 2021

1. Terms of Reference

The terms of reference within which the Committee operated in the 2020/21 municipal year are detailed at the following link:

[Audit Committee Role and Remit 2020/21](#)

2. Member and Officer Attendance

The Audit Committee met 5 times during 2020/21.

Membership of the Audit Committee during 2020/21 and their attendance is detailed at Appendix A.

A number of Audit Committee members also sat on various other 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.

In reviewing the effectiveness of the Audit Committee, 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 address any conflict.

The Audit Committee is intended to be a-political and members are expected to be independent in mind and thought when present. This concept is further strengthened by the inclusion of Independent Members on the Audit Committee, so it is pleasing that the Council appointed Ms Sureya Ajaz as a new Independent Member to the Committee.

Senior officers from the Council also attended the Audit Committee as required, including the Chief and Deputy Chief Finance Officers and Executive Directors. The Head of Internal Audit and External Auditor also attend each meeting and 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 internal audit; the nature of the internal control environment and assurance framework; risk management; counter fraud; and financial reporting. An induction session was also held for the new Independent member of the Committee.

Each year the Committee, with the support of officers, undertakes a review of its own effectiveness against the CIPFA Good Practice checklist. The overall assessment was positive, with the majority (22 of 25) of questions considered to be fully compliant, with 3

assessed as partly compliant. These were:

- Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory.
- Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work.
- Has the Committee evaluated whether and how it is adding value to the organisation.

It was encouraging that in the latest review there was agreement that the Committee was operating effectively and efficiently. Whilst the Committee was satisfied it was meeting its objectives it recognised that further developments could be explored to strengthen existing good practice and to this end a report on [engagement and participation](#) was presented in April 2021.

Some improvements to the structure of reports submitted to Committee were agreed and these will be effective from the beginning of the new municipal year.

The Committee also recognised that there would be benefit in continuity of its membership, reflecting that the cycle of business for the Committee typically spans two municipal years.

4. Sources of Assurance during 2020/21

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2020/21 is detailed at Appendix B, and covers the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- 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 2020/21 financial year, a positive Head of Internal Audit Opinion was given as follows:

*“On the basis of our audit work, our opinion on the Council’s framework of governance, risk management and internal control is **Substantial** in its overall adequacy and effectiveness.*

Certain weaknesses and exceptions were highlighted by our audit work, 9 of which were fundamental in nature, however, no limited assurances have been provided 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.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council’s Annual Governance Statement. Work to further embed risk management in the Council has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. The Director’s Group has recently taken on responsibility for reviewing both Directorate Risk Register and Strategic Risk Register

updates. The aim of this is to improve directorate engagement to support both the implementation of the Risk Management Strategy and provide greater assurance that mechanisms for management of risk are robust.

Internal Control

Of the 44 audits undertaken in the year where we provided a formal assurance level, six were given a ‘Good’ level of assurance, 29 a ‘Substantial’ level of assurance and nine a ‘Limited’ level of assurance. No audits were given ‘No’ level of assurance.

During the year, we have made 9 ‘Priority 1’ recommendations. 88 recommendations categorised as ‘Priority 2’ were also made.

In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management.

Our annual internal audit opinion reflects the revised audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.”

During 2020/21, those internal audit reports that were afforded a limited assurance opinion were submitted to Audit Committee for consideration. Subsequently Audit Committee called those relevant accountable senior managers to provide re-assurance that actions were being taken to address the identified weaknesses in control.

Audit Committee received reports on the performance of the Internal Audit function during the year which indicated that the

service was performing well against most of its performance measures; notably all key financial systems and high priority audits were completed within the plan.

Council can be assured that no issues have been identified in the 2020/21 work completed which impacts materially on the overall system of internal control.

The Audit Committee also endorsed internal audit's work plan.

4.2 External Audit / Inspection

The main responsibility of the External Auditor is 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 Auditor reported on the 2019/20 accounts during the year and concluded that:

- the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2020 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 Council had put in place proper arrangements to secure value for money in their use of resources.

In addition, officers and Grant Thornton presented an update to the Committee on 12 April 2021 on the Redmond review: Sir Tony Redmond was asked by MHCLG to undertake an independent review of the effectiveness of local audit, the transparency of local authority financial reporting and to consider whether the current means of reporting the authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound. The Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – "The Redmond Review" was published on 8th

September 2020. Key recommendations covered the following areas:

- 1) External audit regulation and market stability, including oversight of all aspects of local authority audit, scope to revise audit fees and changes to the deadline for publishing local authority audited accounts;
- 2) Improving the transparency of local authorities accounts including an audited standardised statement of service information and costs, and a review by CIPFA/LASAAC aimed at simplifying the presentation of the accounts;
- 3) Enhancing the function of local audit and governance – an annual report be submitted to Full Council by the external auditor, appointment of independent members to the Audit Committee, formalising arrangements for the statutory officers to meet with the external auditors.

The Government has accepted the recommendations in relation to 2) and 3) above and recommendations in relation to audit fees and publication of the accounts in 1). It published a further response on 19th May in respect of external audit regulation and intends to publish a further consultation document in the Summer.

A full update on the Government's consultation and response will be reported to Audit Committee once received.

4.3 Financial management

During 2020/21, the Committee scrutinised the 2019/20 statement of accounts and also received reports on accounting policies and any associated changes.

The Committee received a number of reports covering financial governance and internal controls in relation to 2020/21, including two specific audits which were carried out to provide assurance over controls that were put in place by the Council in response to the COVID-19 pandemic. These were Payments to

Suppliers which received a 'Good' audit assurance (the highest), and Review of COVID-19 Governance and Controls which received a 'Substantial' audit assurance.

Additionally, internal audits of the budgetary control system and medium term financial strategy both reported a Good level of assurance – the highest available.

The Annual Governance Statement includes commentary on the additional financial controls put in place in relation to Coronavirus to ensure appropriate management, monitoring and reporting of Covid-19 spend.

4.4 Risk management

A revised Risk Management Strategy was approved by Audit Committee in January 2018, and a revised Strategic Risk Register (SRR) implemented. A lessons learnt report was presented to Audit Committee in July 2020, recommending some changes to the approach including utilisation of the newly formed Directors Group to provide further strategic management oversight of risks. The next comprehensive review is due in 2022. Audit Committee received reports on risk management at its meetings in July 2020 and January 2021. The SRR was reviewed and updated for COVID-19 risks during May and was presented to Audit Committee in July 2020.

4.5 Corporate governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2019/20 financial year concluded that the effectiveness of the system of internal control was adequate overall.

Reports were also considered on the External Auditors Annual Audit and Inspection Letter and on the Committee's oversight of the Council's governance arrangements to support the External Auditor's annual risk assessment.

A review of the adequacy of the Council's counter fraud arrangements was also undertaken and a work programme of activity agreed, which will be implemented and monitored during 2021/22. An updated Counter Fraud and Corruption Policy was also considered and this Policy has now been communicated through the organisation.

A Committee decision tracking report was again utilised in 2020/21 to track all of its decisions for which a follow-up is required, to enable members to monitor any outstanding actions and seek updates at future meetings where applicable.

5. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of internal control in the authority that had come to the Committee's attention during 2020/21 that were not being adequately addressed.

Appendix A

Audit Committee Meetings and Member Attendance

	Cllr Gaz Ali	Cllr Sat Johal	Cllr Sally Neville	Cllr Fitzpatrick (First meeting 25.1.21)	Mr A Green Independent Member	Cllr Waheed Rasab	Cllr Ann Young	Cllr Ian Robertson	Sureya Ajaz Independent Member
27.07.2020	✓	✓	X	Not a Member	✓	✓	X	✓	Not a Member
23.11.2020	✓	✓	X	Not a Member	✓	X	✓	✓	Not a Member
25.01.2021	X	✓	X	✓	✓	✓	X	✓	Not a Member
23.03.21 (special)	✓	✓	X	✓	✓	✓	X	✓	✓
12.04.2021	X	✓	X	✓	✓	✓	✓	✓	X
% Attendance	60	100	0	100	100	80	40	100	50

Summary of Audit Committee Work Plan 2020/21

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
27 July 2020	Committee Decision Tracking Chart					✓
	Audit Committee role, remit and work programme 2020/21					✓
	Internal Audit Annual Report and Opinion for the year ending 31 March 2020	✓				✓
	Annual Governance Statement 2019/20 including Annual Review of Effectiveness of Internal Control			✓	✓	✓
	Accounting Policies 2019/20			✓		
	Audit Committee 2019/20 Annual Report to Council					✓
	Internal Audit Charter 2020/21	✓				
	Internal Audit Work Plan 2020/21	✓				
	Internal Audit Progress Report 2020/21	✓				
	Risk management Update including Risk Management Strategy Update and Covid-19 Strategy Risks			✓	✓	✓
	External Audit Plan 2019/20 (accounts)		✓			
	External Audit Progress 2019/20, Sector Update and Covid-19 Update		✓			
	OneSource Programme Update				✓	
P1 Recommendations (Private)	✓					

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
23 November 2020	Committee Decision Tracking Chart					✓
	Audit Committee Role, Remit and Revised Work Programme 2020/21					✓
	Post Audit Statement of Accounts 2019/20 and Audit Findings Report		✓	✓		
	Review of Effectiveness of the Audit Committee					✓
	Risk Management Update – Strategic Risk Register and Brexit Update				✓	
	Internal Audit Progress Report 2020/21	✓				
	P1 Recommendations (Private)	✓				
25 January 2021	Committee Decision Tracking Chart					✓
	Annual Audit Letter for the year ending 31 March 2020		✓			
	Risk Management Update – Strategic Risk Register				✓	
	Internal Audit Progress Report 2020/21	✓				
	P1 Recommendations (Private)	✓				
	Internal Audit Charter 2021/22	✓				
23 March 2021	Committee Decision Tracking Chart					✓
	Update on Internal Audit Actions including Audit of Covid-19 Governance and Controls	✓		✓		✓
	Internal Audit Work Plan 2021/22	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Management	Risk Management	Corporate Governance
23 March 2021	External Audit: Informing the Audit Risk Assessment (2020/21 accounts)	✓	✓	✓	✓	✓
	External Audit: Audit Planning for year ended 31 March 2021		✓			
	P1 Recommendations (Private)	✓				
	Saddlers Internal Audit (Private)			✓	✓	
12 April 2021	Committee Decision Tracking Chart					✓
	Participation and Engagement (Audit Committee Effectiveness)					✓
	Corporate Performance Management Framework			✓	✓	✓
	Internal Audit Progress Report 2020/21	✓				
	Counter Fraud and Corruption Policy and Response Plan			✓	✓	✓
	Accounting Policies 2020/21			✓		
	Audit Committee Year End Review of 2020/21 Work Programme (to inform Annual Report to Council and 2021/22 Work Programme)					✓
	Update on Redmond Review		✓			✓
	External Audit - Audit Planning Report for year ended 31 March 2021		✓			
	P1 Recommendations (Private)	✓				
	Internal Audit Report - Council Tax and NNDR including Covid -19 Grants Internal Controls			✓	✓	