

**Audit Committee - 27 June 2016**

**THE PROPOSED REMIT OF THE AUDIT COMMITTEE & DRAFT  
WORK PLAN 2016/17**

**Summary of report**

This report outlines the remit of the Audit Committee and the draft work plan for 2016/17.

**Recommendation**

1. To note the remit of the Audit Committee
2. To approve the work plan for 2016/17.

**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 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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**James Walsh – Chief Finance Officer**

1 June 2016

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

- 1.1 The remit of the Audit Committee was last reviewed and approved in line with the latest CIPFA 2013 guidance 'Audit Committees Practical Guidance for Local Authorities & the Police' in 2014/15. For 2016/17, it is proposed that no changes are made to the remit for this municipal year (**Appendix 1**).

## **2. TRAINING AND DEVELOPMENT**

- 2.1 To optimise the effectiveness of the Audit Committee, members were last provided with training in June 2015, to enable them to effectively discharge their role. On-going training and development will be provided as necessary.

## **3. WORK PLAN 2016/17**

- 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 2016/17 is attached at **Appendix 2**.

## DIX 1

**AUDIT COMMITTEE****Membership**

7 Members of the authority as determined by the Council with a maximum of 3 independent members (non-voting) appointed by the Council.

**Substitutes**

Substitute members may be nominated to the Committee in accordance with paragraph 4 of the Council procedure rules (Part 4).

**Chairman and Vice-Chairman**

The Chairman and Vice-Chairman will be appointed at the Annual Council meeting for the municipal year.

**Quorum**

The quorum of the Committee shall be one third of the membership, subject to a minimum of two.

**Meetings**

The Committee will meet six weekly, or thereabouts and will usually meet at the Council House, Walsall at 6.00 p.m.

**Access to information**

The Committee will comply with the Access to Information Rules set out in Part 4 of the Constitution.

**Purpose**

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, which include the council's arrangements for performance management 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.

### **Delegations**

To exercise the following powers and functions of the Council:

#### **Governance, risk and control**

- (1) To review the Council's corporate governance arrangements against a good governance framework and consider annual governance reports and assurances.
- (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.
- (3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- (5) To monitor the effective development and operation of risk management in the Council.
- (6) To monitor progress in addressing risk related issues reported to the committee.
- (7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (9) To monitor the counter fraud strategy, actions and resources.

#### **Internal Audit**

- (10) To approve the internal audit charter.
- (11) To commission work from internal audit.
- (12) 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.
- (13) To prove significant interim changes to the risk-based internal audit planning resource requirements.
- (14) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (15) 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 include:
  - 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.
  - b. Regular reports on the results of the Quality Assurance and Improvement Programme.
  - 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.
- (16) To consider the head of internal audit's annual report:
  - 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.
  - 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.
- (17) To consider summaries a specific internal audit reports as requested.
- (18) To receive reports outlining the action taken with 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.

- (19) 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.
- (20) 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.
- (21) To support the development of effective communication with the Head of Internal Audit.

#### **External audit**

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

#### **Financial reporting**

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

**Accountability arrangements**

- (29) To report to those charged with governance of the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- (30) 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.



Activity / Area of Assurance	Lead Officer	27 June 2016	5 Sept 2016	26 Sept 2016 *	21 Nov 2016	16 Jan 2017	27 Feb 2017	24 April 2017
Draft reports required by Democratic Services for Agenda meeting with Chair		9/06/16	18/08/16	08/09/16	3/11/16	15/12/16	9/02/17	6/04/17
Date of Chair's agenda briefing meeting (in CFO's office @ 4.30pm)		13/06/16	22/08/16	12/09/16	7/11/16	19/12/16	13/02/17	10/04/17
Final Report required by Dem Services		15/06/16	24/08/16	14/09/16	9/11/16	4/01/16	15/02/17	12/04/17
<b>Audit Committee Work:</b>	<b>CFO</b>							
Audit Committee role, remit and work programme	HOF/AM	✓						
Chair's Annual Report to Council	CFO	✓						
<b>Internal Audit and Risk:</b>	<b>CFO</b>							
Head of Internal Audit Opinion 2015/16	AM	✓						
Internal Audit Report for the year ending 31 March 2016	CFO	✓						
Internal Audit Progress Report (Note 1)	AM	✓	✓	✓	✓	✓	✓	✓
Risk Management update - Corporate Risk Register (CRR)	AM		✓		✓		✓	
Assurance Map / 3 Year Audit Strategy	HIA					✓		
Risk Management Strategy - Review	HIA/HOF					✓		
Protecting the Public Purse and Counter-Fraud and Corruption Arrangements (Policy / Procedure Updates)	AM				✓ Review of Arrange- mnts			✓ Policy updates
Audit Charter 2017/18	AM						✓	
Internal Audit work plan 2017/18	AM						✓	

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<b>Financial Management &amp; Statement of Accounts:</b>	<b>CFO</b>							
2015/16 Draft Statement of Accounts	<b>CFO</b>	✓						
2015/16 Post Audit Statement of Accs	<b>CFO</b>			✓				
Medium Term Financial Strategy - Update	<b>HOF</b>		✓					
Financial Health Indicators 2015/16	<b>HOF</b>	✓						
Treasury Management Annual Report 2015/16	<b>HOF/TM</b>	✓						
Treasury Management Annual Review of Policy Statements and Mid-Year Review 2016/17	<b>HOF/TM</b>				✓			
Accounting Polices 2016/17	<b>HOF</b>							✓
Financial Health Indicators 2016/17	<b>HOF</b>		✓		✓		✓	
Treasury Management Strategy 2017/18	<b>HOF/TM</b>					✓		
<b>Governance / Other:</b>	<b>CFO/MO</b>							
Annual Governance Statement 2015/16 including Annual Review of Effectiveness of Internal Control	<b>HOF</b>	✓ (Draft)		✓(Final)				
Annual Review of the Scheme of Delegations to Officers	<b>MO</b>							✓
Contract and Finance Rules (Constitution)	<b>MO/CFO</b>							✓

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<b>Governance / Other - Continued:</b>	<b>CFO/MO</b>							
Annual Regulation of Investigatory Power Act (RIPA) Report 2015/16	<b>ED E&amp;E</b>		✓					
Local Code of Governance (Update)	<b>CFO/MO</b>					✓		
Reporting of External inspections and Peer Challenge	<b>CFO</b>	<b>As and when required</b>						

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<b>Specific External Audit Work</b>	<b>EY</b>							

Ernst Young's request for information on how the Audit Committee gains assurance over management processes and arrangements	<b>CFO / MO</b>	✓						
Annual Report to those Charged with Governance (ISA260) 2015/16 (including the opinion on the financial statements and VFM conclusion)	<b>EY</b>			✓				
Annual Audit & Inspection Letter 2015/16	<b>EY</b>				✓			
Annual Certification Work 2016/17	<b>EY</b>					✓		
External Audit Plan 2017/18	<b>EY</b>						✓	

<p><b><u>Key to Lead Officer:</u></b></p> <p><b>MO</b> – Assistant Director of Legal &amp; Democratic Services (Monitoring Officer)</p> <p><b>CFO</b> – Chief Finance Officer (S151 Officer)</p> <p><b>ED E&amp;E</b> – Executive Director Economy &amp; Environment</p> <p><b>HF</b> – Head of Finance</p> <p><b>TM</b> – Treasury Manager</p>	<p><b>HIA</b> – Head of Internal Audit (Mazars)</p> <p><b>AM</b> – Audit Manager (Mazars)</p> <p><b>EY</b> – Ernst Young (External Audit)</p>
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*\*26<sup>th</sup> September is a Special Meeting solely to deal with the Annual Statement of Accounts and External Audit Opinion.*

**Foreword Plan**

1. The internal Audit Progress report will include the following:

- Update on progress against the Internal Audit Plan
  - Limited and no assurance audit reports – summary of progress & follow ups
  - Summary of unplanned / irregularity work
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2. Audit Committee training will take place as and when policies and procedures are updated. Training will also be held for new Members of the Committee.
  3. Independent Member Appointment to be scheduled.
  4. Review of the Effectiveness of the Audit Committee – reviews were undertaken by and reported to Audit Committee in June 2013 and January 2016. The next scheduled review will take place in early 2018.