

Audit Committee – 27 June 2016

Annual Report of the Audit Committee 2015/16

Summary of report

This report presents the proposed Annual Report of the Audit Committee 2015/16 and seeks approval for the Vice Chair of Audit Committee to present this report to Council.

Recommendation

- 1. That the proposed Annual Report of the Audit Committee 2015/16 be approved and presented by the Vice Chair of the Audit Committee to the next meeting of the Council.**

Resource and legal considerations

The Council is not obliged by law to appoint an Audit Committee but 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 2013 Edition).

Governance issues / Citizen impact

The production of an annual report strengthens assurance reporting and governance. This is further strengthened by the Chair of the Audit committee reporting to Council on the activities of the committee.

Performance and risk management issues

Highlighting key risk and performance issues helps ensure that appropriate improvement action is taken.

Equality implications

Assurance reporting encompasses key equality and diversity implications.

Consultation

This annual report is produced in accordance with the work programme for the Audit Committee as agreed at its meeting on 26 July 2014.

Background papers

- Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and Police 2013 Edition).
- Audit Committee agendas, minutes and reports for the municipal year 2015/16.

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A handwritten signature in black ink, appearing to read 'James Walsh', with a stylized, circular flourish at the end.

James Walsh – Chief Finance Officer
7 July 2015

Walsall Council Annual Report of the Audit Committee 2014/15

1. Introduction from the Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee for the 2015/16 municipal year.

I was delighted to be elected as the first independent member to Chair the Audit Committee in September 2014, in my first year serving as an Independent Member, and even more delighted to be asked to continue my chairmanship for a further year.

As with last year's report I hope this report continues to demonstrate to the residents of the borough, the Council's stakeholders and partners as well as other elected members, the importance of the Audit Committee's role and the positive contribution it makes to the Council's overall governance arrangements and the delivery of the council's objectives.

Audit Committee meetings are open to members of the public and I would encourage all to come along and see our work in action.

This year was a year of many changes. The appointment of Ernst & Young as the Council's external auditors replacing Grant Thornton. A change in membership of the committee. I am pleased to report that the transition was seamless, and the new members took up their role with much energy and enthusiasm. The year also saw a change in Audit personnel. Rebecca Neill our Head of Internal Audit moved to take up a new role in the housing field. On behalf of the committee I would like to thank her for her contribution to the work of the committee, and wish her every success.

Looking ahead to 2016/17, the internal audit service will be delivered by Mazars LLP who won the contract to provide this service. I and the committee look

forward to working with them over the next few years.

Finally, I would like to take this opportunity to thank those members and officers who have contributed to the work of the Audit Committee over the last 12 months.



A handwritten signature in black ink, appearing to read 'Fred Bell'.

Fred Bell, Chair of the Audit Committee

7 June 2015

2. Terms of Reference

The terms of reference which the Committee operated to during the 2015/16 municipal year is detailed at the following link:

[Audit Committee Remit 2015/16](#)

3. Member and Officer Attendance

Membership of the Audit Committee during 2015/16 is detailed at **Appendix A**.

The Audit Committee met 7 times during 2015/16.

A number of Audit Committee members also sat on various other committees and panels. On occasions there may have been clashes with the Audit Committee and where this occurred, apologies were always received for any episodes of non-attendance.

In reviewing the effectiveness of the Audit Committee members considered whether there was a conflict of independence by sitting on both a scrutiny panel 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 panel which they were a member of, was sufficient to maintain that independence.

Independence is further strengthened by the number of independent members on the Audit Committee. 2015/16 saw the continuation of 3 independent members, with the chairmanship of the Audit committee being held for a second year by Fred Bell.

Senior officers from the council also attend the Audit Committee as appropriate, including the Chief Executive, Chief Finance Officer and the Head of Internal Audit.

The external auditor also attends. A summary of Audit Committee member and officer attendance is detailed at **Appendix B**.

4. Training & Effectiveness

Audit Committee receive a comprehensive training session prior to the commencement of their business year. 2015/16 was no different, with a session held in June 2015. Further training updates on treasury management and risk management were delivered during the course of the year.

5. Sources of Assurance During 2015/16

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2015/16 is detailed at **Appendix C** per the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance.

The Committee gained assurance in 2015/16 from these themes as follows:

Internal Audit

The Head of Internal Audit gave the following opinion in her annual report for 2014/15 which was presented to the Committee on the 20 July 2015:

“In my opinion, formed solely on the basis of the work undertaken by Internal Audit and its partner organization in 2014/15, and the positive action taken or intended to be taken by managers to implement agreed audit report actions, a significant level of assurance can be provided in relation to the overall

adequacy and effectiveness of Walsall Council's framework of governance, risk management and control (the internal control environment).

Control weaknesses were identified during the 2014/15 financial year and were reported as such to relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on an assurance that accountable managers address findings within the agreed audit report action plans in the areas for which they are responsible.

The internal control environment can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2014/15.

All audit work is subject to agreed terms of reference, objectives and resources allocated by the Council for that purpose".

During 2015/16, internal audit reports given a no or limited assurance were submitted to Audit Committee for consideration. Selected accountable senior managers and their directors were called before the Audit Committee to provide necessary assurances that actions were being taken to address weaknesses in control identified.

Audit Committee received internal audit's performance reporting during the year indicating that the service was performing well against its performance measures. The Audit Committee also endorsed internal audit's work plan. The Committee received progress reports against internal audit's compliance with the Public Sector Internal Audit Standards.

External audit / inspection

The main responsibility of the external auditor is to report on the council's accounts and whether the council has made proper arrangements for securing

economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2014/15 accounts which finished their tenure as External Auditors. The new external auditor, Ernst & Young, took up this responsibility from 2015/16. The Audit Committee considered Grant Thornton's annual letter during the 2015/16 municipal year.

In Grant Thornton's annual audit letter, they issued an unqualified opinion on the Council's 2014/15 financial statements, meeting the deadline set by the Department for Communities and Local Government. They also issued an unqualified VFM opinion. In issuing those opinions Grant Thornton were commended the officers on the accuracy and quality of the accounts.

Financial management

The Committee scrutinised the 2014/15 statement of accounts and also received reports on accounting policies. The Committee also received regular reports on corporate financial performance (financial health indicators) and treasury management.

Risk management

The strategic risk register was subject to routine examinations and a number of strategic risks were scrutinised by the Committee during the year. This involved presentations by relevant managers and questioning on action taken to mitigate these risks.

Corporate governance

The annual governance statement (AGS) and review of effectiveness for the 2014/15 financial year, concluded that the effectiveness of the system of internal control was adequate overall.

Updates were received on fraud and corruption matters including arrangements under the Regulation of

Investigatory Powers Act, details of the Council's anti-fraud arrangements against the Audit Commission's "Protecting the Public Purse" checklist and the annual fraud survey return to the Audit Commission, which highlighted continued strong anti-fraud arrangements.

A report was considered detailing amendments to the scheme of delegation to officers, which was reviewed by the Committee. The Audit Committee also received reports on decisions taken under delegated authority.

6. Conclusion

In January 2016 a Review of the effectiveness of the Audit Committee was undertaken, the conclusion of which showed an effective committee. The Audit Committee was able to confirm that it fulfilled its agreed terms of reference, that the system of internal control, governance and risk management in the authority was sufficient in identifying risks and allowing the authority to understand the appropriate management of these risks.

The Committee was also able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention which were not being adequately resolved.



Chairman Fred Bell (Independent)



Councillor Keith Chambers (Vice-Chairman)



Councillor Stephen Craddock (UKIP)



Councillor Marco Longhi (Conservative)



Councillor Gurmeet Sohal (Conservative)



Councillor Richard Worrall (Labour)



Councillor Ian Robertson (Labour)



Mr Andrew Green (Independent)

Mrs Pamela Hepburn (Independent)

Appendix B**Audit Committee Meetings and Member Attendance**

	Mr F Bell	Cllr Chambers	Cllr Craddock	Cllr MLonghi	Mr A Green	Cllr Sohal	Cllr Worrall	Mrs Hepburn	Cllr Robertson
20.07.15	✓	✓	✓	✓	x	✓	✓	x	x
01.09.15	✓	✓	✓	✓	✓	✓	x	x	✓
23.09.15	✓	✓	✓	x	✓	✓	✓	✓	✓
09.11.15	✓	✓	✓	x	x	✓	✓	x	✓
04.01.16	✓	✓	✓	✓	✓	✓	✓	x	✓
22.02.16	✓	✓	✓	✓	✓	✓	✓	x	✓
18.04.16	✓	✓	✓	✓	x	x	✓	x	✓

	Chief Finance Officer	Head of Internal Audit	Head of Finance	Audit Manager	Operational Risk, Insurance & Loss Control Manager	Treasury Financial Administration and Systems Manager	Lead Accountant	Senior Finance Manager	Executive Director - Resources
20.06.15	✓	✓	x	x	x	x			✓ Agenda item 14 only
01.09.15	x	✓	✓	✓	x	✓	x	x	x
23.09.15	✓	✓	✓	x	✓	x	✓	✓	x
09.11.15	✓	x	x	✓	x	✓	x	x	x
04.01.16	✓	x	x	✓	x	x	x	x	x
22.02.16	✓	x	x	✓	x	x	x	x	x
18.04.16	x	✓	x	✓	x	x	x	✓	x

	Executive Director Adult Social Care	Executive Director Economy & Environment	Head of Regeneration & Development	Systems Leader	Homelessness & Housing Services Manager	Representative from Ernst & Young	Representative from Grant Thornton	Representative from Haines Watts
20.06.15	x	x	x	✓ Agenda Item 14 only	✓ Agenda Item 14 only	✓	✓	x
01.09.15	x	x	x	x	x	x	✓	✓
23.09.15	✓	✓	x	x	x	x	x	x
09.11.15	x	x	x	x	x	✓	✓	x
04.01.16	x	x	x	x	x	✓	✓	x
22.02.16	x	x	✓	x	x	✓	x	x
18.04.16	x	x	✓	x	x	x	x	x

	Corporate Performance Manager	Principal Corporate Performance Manager	Team Leader Town Centre Development	Representative from Mazars	Chief Executive	Senior Accountancy Officer	Head of Democratic Services
20.06.15	x	x	x	x	x	x	x
01.09.15	x	x	x	x	x	x	x
23.09.15	✓	✓	x	x	x	x	x
09.11.15	x	x	✓	x	x	x	x
04.01.16	x	x	x	x	✓	x	x
22.02.16	x	x	x	✓	x	x	x
18.04.16	x	x	x	✓	x	✓	✓