

Audit Committee - 20 June 2011

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 2011/12 is attached at **Appendix 1**.

Recommendations:

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



James Walsh
Chief Finance Officer
8 June 2011

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.

Citizen impact:

The committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes ensuring that effective systems of internal control and internal audit are in operation, considering internal audit reports (including management responses to agreed action plans), 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 and overall arrangements as set out in the corporate integrated planning and performance framework.

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.

Background papers:

Previous reports to cabinet, council and audit committee.

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1. THE REMIT OF THE COMMITTEE

1.1 The remit of the committee, as detailed within the council's constitution, is to act as the Council's Audit Committee, the purpose of which is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting.

1.2 To exercise the following powers and functions of the Council: -

- Consider the effectiveness of the Council's control environment and associated anti-fraud and anti-corruption arrangements.
- Consider the effectiveness of the Council's risk management arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions to improve it.
- Approve (but not direct) internal audit's strategy, plan and monitor performance.
- Review summary internal audit reports and main issues arising and seek assurance that action has been taken where necessary.
- Receive the annual report of the Head of Internal Audit.
- Review the effectiveness of key control strategies including; risk management, the local code of governance, arrangements for delivering value for money, a anti-fraud arrangements and anti-corruption.
- Consider the reports of external audit and inspection agencies.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.
- Calling officers and/or Chairs of Committees to assist the Committee in its work.
- Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.
- To review any issue referred to it by the Chief Executive or any Director or any Council bodies.
- To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.

2. TRAINING AND DEVELOPMENT

2.1 To optimise the effectiveness of the audit committee, members will be provided with training and development to enable them to effectively discharge their role. It is proposed that a 1.5 hour session be arranged shortly covering key areas of the Committee's role and remit. On-going training and development will be provided as necessary.

3. PRACTICAL ACTIVITIES

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

- **Annual Audit and Inspection Letter** - receipt of the external auditor's annual audit letter, seeking a greater understanding of the underlying issues by questioning the external auditor, executive directors, 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 they are constructed, developed and delivered.
- **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 6 monthly 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.
- **Audit reports** - receiving reports from the internal and external auditors; and the outcomes of other external inspections as appropriate; ensuring that issues are being dealt with in an acceptable manner, identifying any cross cutting themes, and ensuring agreed audit actions are being implemented by managers, or seeking to understand where this is not the case.
- **Statement of accounts** - receiving the pre audit statement of accounts, asking detailed and searching questions about the 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.
- **System of internal control and governance / internal audit** - receiving the findings of the review into the effectiveness of the system of internal control/the governance framework and internal audit as required under the Accounts and Audit (Amendment) Regulations 2011 and approval of the annual governance statement. Receiving the head of internal audit's annual report and opinion into the overall adequacies of the council's internal control environment (CIPFA Code of Practice 2006 requirement).
- **Audit Committee effectiveness** - reviewing the effectiveness of the work undertaken during the year by the audit committee.

3.2 This list is indicative rather than exhaustive.

3.3 The workplan for 2010/11 has been reviewed and refreshed for 2011/12. As part of this process, agenda items no longer required or where assurance can be obtained from internal audit's programme of work rather than being reported through Audit Committee, have been removed. Where agenda items

could also be merged, these have also been amended. The revised draft annual workplan detailing these changes, which has been discussed with the Audit Committee chairman, is attached for members at **Appendix 1**.

WALSALL COUNCIL – AUDIT COMMITTEE WORK PROGRAMME & TIMETABLE – 2011/12

Activity	Lead Officer	20 th June 2011	26 th Sep 2011	14 th Nov 2011	30 th Jan 2012	13 th March 2012	17 th Apr 2012
DATE OF MEETING		20/6/11	26/9/11	14/11/11	30/1/12	13/3/12	17/4/12
Draft reports to James Walsh for signing off		1/6/11	6/9/11	25/10/11	10/1/12	21/2/12	27/03/12
Date of Chair's briefing meeting - week commencing		6/6/11	12/9/11	31/10/11	16/1/12	27/2/12	2/4/12
Final reports to James Walsh / Constitutional Services for despatch		9/6/11	15/9/11	3/11/11	19/1/12	2/3/12	* 4/4/12
Audit Committee role, remit and work programme; including training plan	VB / RN	✓					
Risk management – annual review of risk management strategy and 6 monthly review of strategic risks	AJ		✓			✓	
Internal Audit work plan 2012/13	RN			✓		✓	
Internal Audit annual / 6 monthly performance report	RN	✓		✓			
Limited and no assurance audit reports for scrutiny	RN			✓			✓
2010/11 Post Audit Statement of Accounts, including Annual Governance Statement	JW		✓				
Future of Local Public Audit	RN	✓					
Bribery Act	RN	✓					
Annual report into the overall adequacies of the internal control environment	RN	✓					
Summary of Decisions taken under Chief Officer Delegations	TC	✓					
Anti fraud and corruption arrangements	RN		✓				
Financial Health Indicators (including financial outturn)	VB			✓ Q2		✓ Q3 / Provisional Q4	
Chair's annual report to Council	VB		✓				
Regulation of Investigatory Power Act (RIPA)	RN	✓		✓		✓	
Annual Review of the Scheme of Delegations to Officers	JG						✓
Finance Rules	VB				✓		

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Over £500 payments list	RN		✓			✓	
Protecting the Public Purse	RN				✓		
Review of the effectiveness of the Audit Committee	RN/VB				✓		

ADDITIONAL WORK AS IDENTIFIED AT / BY COMMITTEE OR CHIEF EXECUTIVE							
AS AND WHEN IDENTIFIED							

SPECIFIC GRANT THORNTON WORK							
Annual report to those charged with governance 2010/11	GT		✓				
Grants report 2010/011	GT					✓	
Interim Audit Report 2010/11	GT	✓					
Annual external audit and inspection letter 2010/11	GT				✓		

The Following Items were removed or incorporated in to other reports	Comments (If any)
External audit reports (as received) and other reports from inspection / assurance sources	Covered in specific Grant Thornton area above
Annual external audit and inspection letter 2008/9 – action plan progress	Complete
Annual external audit and inspection letter 2009/10 - action plan progress	Included in follow up to AAIL 2010/11
Accounting policies annual update	Statutory requirement changed
Findings into the effectiveness of the systems of internal audit and internal control + annual governance statement	Incorporated into Post Audit SOA 2010/11
Approving the 2009/10 pre audit statement of accounts	Complete
Approving 2009/10 final statement of accounts following audit	Complete
Review of governance framework and effectiveness, including local code of governance	Incorporated into Post Audit Statement of Accounts 2010/11
Framework for driving improvement	Included within internal audit's assurance programme
Summary of outcomes from scrutiny panel reviews	Included within internal audit's assurance programme
Emergency planning and Civil Contingencies Act arrangements	Included within internal audit's assurance programme
Partnership register and risks	Incorporate into Risk Management report
Health & safety	Included within internal audit's assurance programme
Insurance arrangements	Included within internal audit's assurance programme
Programme & project management / 'working smarter'	Included within internal audit's assurance programme
Treasury management Annual Report	Approved via budget and Council Treasury Management is included within internal audit's assurance programme Incorporated into Post Audit SOA 2010/11
ERDF Action plan	No longer required
ERDF Action plan progress report	No longer required
Value money strategy	Included within internal audit's assurance programme
International Financial Reporting Standards	No longer required
Progress on implementing Annual Governance Statement (AGS) 2009/10 actions	Incorporated into AGS 2010/11 in the Post Audit Statement of Accounts 2010/11
Benchmarking	Incorporate into Internal Audit performance report
School balances	External audit report - complete