

Audit Committee – 20th July 2015

THE PROPOSED REMIT OF THE AUDIT COMMITTEE & DRAFT WORK PLAN 2015/16

Summary of report

This report outlines the proposed revisions to the remit of the Audit Committee and the draft work plan for 2015/16.

Recommendation

1. To approve the remit of the Audit Committee and draft work plan for 2015/16.

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.

Contact:

Rebecca Neill

Head of Internal Audit

☎ 01922 654727

✉ rebecca.neill@walsall.gov.uk



James Walsh – Chief Finance Officer

6 July 2015

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 2015/16, 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 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. WORKPLAN 2015/16

- 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 2015/16 is attached at **Appendix 2**.

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 approve 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 where the head of internal audit 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 on 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.

Comment [c1]: On?

Appendix 2

WALSALL COUNCIL – AUDIT COMMITTEE WORK PROGRAMME & TIMETABLE – 2015/16

Activity / Area of Assurance	Lead Officer	25 June (Training only)	20 July 2015	1 Sept 2015	23 Sept 2015	9 Nov 2015	4 Jan 2016	22 Feb 2016	18 April 2016
Draft reports required by Democratic Services for Agenda meeting with Chair		N/A	2/07/15	13/08/15	08/09/15	22/10/15	10/12/15	4/02/16	31/03/16
Date of Chair's agenda briefing meeting (in RN's office @ 4.30pm)		N/A	6/07/15	17/08/15	10/09/15	26/10/15	14/12/15	8/02/16	4/04/16
Final Report required by Dem Services		N/A	8/07/15	19/08/15	14/09/15	28/10/15	17/12/15	10/02/16	6/04/16
Audit Committee Work:									
Audit Committee role, remit and work programme	HIA		✓						
Chair's Annual Report to Council	CFO		✓						
Review of the Effectiveness of the Audit Committee	HIA						✓		
Internal Audit:	HIA								
Public Sector Internal Audits Standards	HIA			✓					
Internal Audit Progress Report for the year ending 31 March 2015.	HIA		✓						
Internal Audit Progress Report for the 6 months to September 2015.	HIA					✓			
Limited and no assurance audit reports	HIA	AS REQUIRED							
Head of Internal Audit's Annual Report	HIA		✓						
Internal Audit work plan 2016/17	HIA							✓	
Financial Management and Statement of Accounts:	CFO								
A.C. report responding to E.A.'s request for information on how the Audit Committee gains assurance over management processes and arrangements and response	HOF								
2014/15 Post Audit Statement of Accounts	CFO				✓				

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Final Report required by Dem Services	✓	N/A	8/07/15	19/08/15	14/09/15	28/10/15	17/12/15	10/02/16	6/04/16
Financial Management and Statement of Accounts - Continued:	CFO								
Accounting Polices 2015/16	HOF								✓
Medium Term Financial Strategy - Update approved by Cabinet 2015	HOF			✓					
Financial Health Indicators 2014/15	HOF		✓						
Financial Health Indicators 2015/16	HOF			✓		✓		✓	
Treasury Management Annual Report 2014/15	HOF/TM			✓					
Treasury Management Annual Review of Policy Statements and Mid-Year Review 2015/16	HOF/TM					✓			
Treasury Management Strategy 2016/17	HOF/TM						✓		
Value for Money	CFO					✓			
Risk Management:	HOF								
Risk Management Strategy - Review	RM							✓	
Risk Management updates - Corporate Risk Register	RM				✓				✓
Governance / Other:	CFO/MO								
Annual Review of the Scheme of Delegations to Officers	MO/HDS								✓
Council Contract and Finance Rules (Constitution)	MO/CFO								✓

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Governance / Other - Continued:	CFO/MO								
Annual Regulation of Investigatory Power Act (RIPA) Report 14/15	ED NS			✓					
Annual Governance Statement 2014/15 including Annual Review of Effectiveness of Internal Control	CEO		✓						
Protecting the Public Purse and Counter-Fraud and Corruption Arrangements									
Corporate Governance Arrangements	CFO/MO								
Independent Member Appointment	CFO/HIA						✓		
Performance Management:									
Reporting of External inspections (as and when required)	CFO								
Performance management arrangements	CPM			✓					

ADDITIONAL WORK AS IDENTIFIED AT / BY COMMITTEE OR CHIEF EXECUTIVE / E.D.	Lead Officer								
As and when identified. Also to include reports by inspectors, public interest reports etc...		June (Training only)	July 2015	Sept 2015	Sept 2015	Nov 2015	Jan 2016	Feb 2016	April 2016
Counter-Fraud	HIA			✓					
Money Laundering	HIA			✓					
Independent Sector & Nursing	ED - SCI			✓					

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Final Report required by Dem Services	✓	N/A	8/07/15	19/08/15	14/09/15	28/10/15	17/12/15	10/02/16	6/04/16
SPECIFIC EXTERNAL AUDIT WORK	Lead Officer								
Annual Report to those Charged with Governance (ISA260)	GT				✓				
Audit Plan 2014/15	GT		✓				✓		
Value for Money Report	GT				✓				
Annual Audit Letter	GT					✓			
Audit Planning Report	EY							✓	
Audit Strategy	EY					✓			

Key to Lead Officer:

MO – Assistant Director of Legal & Democratic Services (Monitoring Officer)
CFO – Chief Finance Officer / S151 Officer
CEO – Chief Executive Officer
ED – Executive Director
ED NS – Executive Director Neighbourhood Services
ED SCI – Executive Director Social Care & Inclusion

HIA – Head of Internal Audit
HF – Head of Finance
HDS – Head of Democratic Services
RM – Risk Manager
TM – Treasury Manager
CPM – Corporate Performance Manager
GT – Grant Thornton: External Auditors (14/15)
EY – Grant Thornton: External Auditors (15/16)