

Audit Committee – 17 April 2012

Review of Audit Committee Effectiveness: Update on the Action Plan

Summary of report:

To provide Audit Committee with an update on the outstanding actions contained within the action plan agreed at Audit Committee's 25 October 2010 meeting, following Grant Thornton's 2010 report entitled 'Review of Audit Committee effectiveness at Walsall Metropolitan Borough Council'.

Background papers:

Grant Thornton's report entitled 'Review of Audit Committee effectiveness at Walsall Metropolitan Borough Council' and the agreed action plan.

Recommendation:

1. To note progress on the outstanding actions within the agreed action plan at **Appendix 1**.



James Walsh
Chief Finance Officer
2 April 2012

Background

Grant Thornton agreed with Walsall Council that they would undertake a review of the effectiveness of the council's Audit Committee as part of their annual external audit for 2009/10, in order to appraise the effectiveness of the Committee as an important aspect of the Council's governance and assurance processes. The review was intended to assist the Committee in its periodic review and the self assessment of its work, in the context of continuous improvement.

The report was considered at Audit Committee of 28 September 2010 where it was noted and agreed that officers would prepare a draft action plan to address the issues identified. The draft action plan was agreed by the Audit Committee at its 25 October 2010 meeting.

Action Plan

An update on the outstanding actions contained within the action plan has been prepared and is detailed at **Appendix 1**.

Resource and legal considerations:

None directly related to this report.

Performance and risk management issues:

The report raises a number of issues around performance and risk management.

Equality Implications:

None directly arising from this report.

Consultation:

Grant Thornton designed a questionnaire which was completed by Audit Committee members and also held a workshop session with members. The resultant report was considered by members at Audit Committee on 28 September 2010 and a subsequent action plan was agreed at the 25 October 2010 Audit Committee meeting.

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Action Plan Update – April 2012

Review of Audit Committee Effectiveness at Walsall Metropolitan Borough Council

Ref	Recommendation	Priority	Council Comment	April 2012 Update
Role of the Audit Committee				
R1	Consider which areas of Council business are appropriate for management review and those for the Audit Committee to consider. The latter should focus on identifying trends and requesting information from the relevant officer in order to make informed decisions.	M	<p>Audit Committee's improved work plan and timetable for 2010/11 now includes a comprehensive list of inspection / assurance sources for Audit Committee's consideration. Audit Committee will scrutinise such sources, including obtaining information from the presenting officers as part of their consideration of each item.</p> <p>The training needs assessment suggested at R4 will also assist in the effectiveness of this.</p> <p>Responsibility: Assistant Director – Finance Timescale: Implemented</p>	Implemented.
R2	Consider the use of an 'early warning' system on potentially important issues worthy of tabling at Audit Committee and review these as a priority.	H	<p>This has been addressed by the new quarterly reporting of all internal audit reports issued with a 'no' or 'limited' assurance opinion.</p> <p>Responsibility: Head of Internal Audit Timescale: Implemented</p>	Implemented.

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			<p>'Hot issues' will be added as a standard Audit Committee agenda item for early reporting of potentially important issues worthy of tabling at Audit Committee.</p> <p>Responsibility: Constitutional Services Officer Timescale: 7 December 2010</p>	<p>'Hot issues' is now a standard item on the Audit Committee agenda.</p> <p>Implemented.</p>
Skills and Knowledge of the Audit Committee				
R3	Discuss with officers the options around finding a suitable independent member. Ensure clarity of role objectives to guard against any potential imbalances arising within the committee.	M	<p>Options for sourcing a suitable independent member will be presented to the next meeting of the Committee.</p> <p>Responsibility: Assistant Director – Finance Timescale: 7 December 2010</p>	<p>Following a recruitment exercise, Mr A Green was appointed as an Independent Member to the Audit Committee with effect from the start of the 2011/12 municipal year, with a two-year 'term of office'.</p> <p>Implemented.</p>
R4	Identify any training needs required by the Audit Committee, focusing on skills directly required to conduct the role and supporting this with knowledge gathering by other means such as briefings by specialists in particular areas where the need arises, for example European Grant Funding.	H	<p>A training needs assessment will be undertaken and presented to the next meeting of the Audit Committee for approval.</p> <p>The suggested format of which will be '20 minute bite size sessions' which will be delivered prior to the commencement of each Audit Committee meeting on a topic relevant to that agenda.</p> <p>Responsibility: Head of Internal Audit & Head of Corporate Finance Timescale: 7 December 2010</p>	<p>A training needs assessment and plan was approved by Audit Committee on 7 December 2010 and was delivered for the remainder of the 2010/11 municipal year.</p> <p>For the 2011/12 municipal year, Audit Committee agreed at its meeting of 20 June 2011, to hold a 1.5 hour session covering key areas of the Committee's role and remit. This was delivered to members on 20 and 25 October 2011.</p> <p>Implemented.</p>

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Role of External Audit				
R5	Consider probing external audit for example requesting presentations at Audit Committee on specific areas eg the scope and focus of its work and why it is important.	M	<p>Audit Committee's improved work plan and timetable for 2010/11 now includes a comprehensive list of inspection / assurance sources for Audit Committee's consideration, including external audit inspection reports. Audit Committee will continue to probe external audit as part of their consideration of external audit items.</p> <p>External audit will be included within the training needs assessment suggested at R4</p> <p>Responsibility: Assistant Director – Finance Timescale: Implemented</p>	Implemented.
Role of Internal Audit				
R6	Consider the adoption of a RAG rated priority system to ensure that key issues are escalated and reviewed by the Audit Committee on a more timely basis.	H	As R2.	As R2.
Risk Management				
R7	Focus on the observation of trends rather than detail. Consider how risks are increasing or decreasing through time and assess their impact.	M	<p>Audit Committee receive the corporate risk register which identifies if risks have increased or decreased and shows the trend. In addition they also have sight of the risk matrix. Audit Committee select a number of risks for review. The ones selected are often those where it can be seen that the risk has deteriorated; have</p>	<p>This action has since been superceded following a recent review of the reporting arrangements for strategic risks.</p> <p>A trend analysis will be included within the next agenda item for risk for Audit Committee's consideration.</p>

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			<p>a high corporate profile or have a significant impact on the Committee discharging its assurance responsibility. Officers are asked to attend and present their risk management action plans to Committee who may challenge actions plans to ensure that the controls identified are being actioned.</p> <p>A follow up plan will, however, be introduced to enable Audit Committee to review those risks previously selected and the impact over time.</p> <p>Responsibility: Corporate Risk & Insurance Manager Timescale: 7 December 2010</p>	<p>Responsibility: Corporate Risk & Insurance Manager Timescale: 30 June 2012</p>