

## **Audit Committee - 25 June 2009**

### **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 2009/10 is attached at **Appendix 1**.

#### **Recommendations:**

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



**James Walsh - Assistant Director – Finance  
(Chief Finance Officer)**

**12 June 2009**



**Rory Borealis - Executive Director (Resources)**

**15 June 2009**

#### **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.

## **Contact Officer**

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## 1. THE REMIT OF THE COMMITTEE

- 1.1 The committee's principle function is to act as the council's audit committee with the following terms of reference and delegations:
- a) Contributing to the council's governance by ensuring an effective internal control environment is maintained (both through reviewing the Annual Governance Statement and more widely);
  - b) Reviewing the effectiveness of the system of internal audit;
  - b) Reviewing the mechanisms for the assessment and management of risk;
  - c) Endorsing a work plan for internal audit;
  - d) Receiving periodic reports on the work of internal audit;
  - e) Receiving reports on management responses to internal audit reports and agreed action plans;
  - f) Considering recommendations and reports from external auditors;
  - g) Considering arrangements for and the merits of operating quality assurance and performance management processes;
  - h) Approving the council's statement of accounts, both 'subject to audit' and the final document;
  - i) Calling officers and/or committee chairs to assist the committee in its work;
  - j) Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.

## 2. TRAINING AND DEVELOPMENT

- 2.1 To optimise the effectiveness of the role, audit committee members have had opportunities to engage in tailor made training. This continues to be available on request. Topics have included:- the role of the Audit Commission; risk management; the role of internal audit, benefit fraud investigations, fraud awareness, the council's constitution including financial and contract rules; the corporate integrated planning and performance framework; CPA/CAA arrangements; use of resources judgement and scrutinising the Statement of Accounts.

## 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.
  - **Internal audit projects** - undertaking a specific project into, for example, how the internal audit service operates, how particular types of audit are undertaken, how auditors are trained, what standards they use.

- **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 quarterly reports from internal audit outlining their activities, and progress against annual targets and benchmarks, ensuring they have sufficient resources to undertake their responsibilities, that activity is taking place to appropriate standards and reviewing the operation of the internal audit partnership.
- **Audit reports** - receiving reports from the internal and external auditors, selecting particular reports for additional and detailed scrutiny to test 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 2006 and approval of the annual governance statement. Receiving the chief internal auditor'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. A draft annual workplan has been discussed with the committee chairman and is attached at **Appendix 1**.

## WALSALL COUNCIL - AUDIT COMMITTEE - WORK PROGRAMME &amp; TIMETABLE 2009/10

Activity	Lead Officer	Public/Private	June 2009	June Special	Sep 2009	Sep Special	Oct 2009	Dec 2009	Jan 2010	Mar 2010	Apr 2010
<b>DATE OF MEETING</b>			25	29	2	17	27	8	19	12	13
Draft reports to Constitutional Services for Chair's briefing	Various		08.06.09	08.06.09	10.08.09	24.08.09	05.10.09	16.11.09	14.12.09	08.02.10	22.03.10
Date of Chair's briefing meeting - week commencing	JW		08.06.09	08.06.09	10.08.09	24.08.09	05.10.09	16.11.09	14.12.09	08.02.10	22.03.10
Final reports to Constitutional Services for despatch	Various		16.06.09	18.06.09	20.08.09	08.09.09	16.10.09	27.11.09	08.01.10	18.02.10	02.04.10
Role, remit and work programme	JW	Public	✓								
Risk management - annual review of risk management strategy	AJ	Public							✓		
Risk management - quarterly review of strategic risks	AJ	Private			✓			✓			✓
Internal Audit workplan 2010/11	DB	Private						✓		✓	
Internal Audit quarterly performance report	DB	Split	✓				✓			✓	
Selected internal audit reports for scrutiny	DB	Public			✓			✓			✓
External Audit reports (as received)	GT	Public			✓		✓	✓	✓	✓	✓
Annual External Audit and Inspection Letter 2007/8 – action plan progress	JW	Public					✓				✓
Annual External Audit and Inspection Letter 2008/9	GT	Public							✓		
Annual External Audit and Inspection Letter 2008/9 - action plan progress	JW	Public									✓ (June 2010)
Accounting Policies annual update	JW/VB	Public	✓								
Annual report into the overall adequacies of the internal control environment	JW/DB	Public	✓								✓ (June 2010)
Findings into the effectiveness of the systems of internal audit and internal control + Annual Governance Statement	JW/VB/ DB	Public	✓								✓ (June 2010)
Approving the 2008/9 pre audit Statement of Accounts	JW/VB	Public		✓							
Approving 2008/9 final Statement of Accounts following audit	JW/VB	Public				✓					
Audit Committee Self-assessment	JW	Public					✓				
Review of the effectiveness of the Audit Committee	JW	Public						✓			✓

Review of Governance Framework and Effectiveness, including Local Code of Governance	<b>JW/BG/VB</b>	<b>Public</b>						✓			
Annual report to those charged with governance 2008/9, including Use of Resources 2009 judgement	<b>GT</b>	<b>Public</b>				✓					
Review and appraisal of officers' statutory responsibilities/delegations	<b>BG/VB/DB</b>	<b>Public</b>							✓		
Approval of the 'Walsall Performance Framework' document	<b>HD</b>	<b>Public</b>	✓							✓	
Corporate Financial Performance	<b>VB</b>	<b>Public</b>			✓Q1			✓Q2		✓Q3	✓ (Q4 in June 2010)
<b>SPECIFIC WORK</b>											

**KEY: JW - J Walsh (CFO); BG - B Gill (Monitoring Officer); HD – H Dudson (Performance Management); GT – Grant Thornton (External Audit); VB - V Buckley (Corporate Finance); AJ - A Johnson (Risk Management); DB – D Blacker (Internal Audit)**