

## **Audit Committee**

## **Agenda Item No. 10**

**26 June 2023**

### **Audit Committee Role, Remit and Work Programme 2023/24**

**Ward(s):** All

**Portfolios:** All

**Purpose:** Approve

#### **1. Aim**

- 1.1 To ensure that the work of the Audit Committee fulfils its remit including independent review of governance, risk management, financial reporting and other governance processes within the council, as well as overseeing the work of internal and external audit.

#### **2. Summary**

- 2.1 This report outlines the remit and delegations of the Audit Committee and the proposed work programme for 2023/24 for consideration and approval. The delegations have been reviewed against the updated CIPFA Position Statement and supporting guidance and amendments can be seen at Appendix 1. Subject to the Committee's agreement, then will be forwarded to Council for approval.

#### **3. Recommendations**

- 3.1 To comment on the remit and delegations of the Audit Committee, which has been reviewed against the revised CIPFA Position Statement on Audit Committees and supporting guidance.
- 3.2 To note that, following review by the Audit Committee, the delegations will be presented to Council on 10 July for approval.
- 3.3 To consider, amend as appropriate, and approve the proposed work and training programme for 2023/24.

#### **4. Report detail – know**

- 4.1 Audit Committee's work is a major aspect of the council's corporate governance framework. Its wide-ranging remit includes providing independent assurance on the adequacy of the internal control environment. It provides an independent review of governance, risk management, financial reporting and other governance processes, as well as overseeing the work of internal and external audit. This provides assurance to local taxpayers and other stakeholders on the adequacy of the council's arrangements in these regards.
- 4.2 The Audit Committee's remit is included within Part 3 of the council's constitution and is included at Appendix 1. The delegations have been reviewed against the revised CIPFA Position Statement on Audit Committees and supporting guidance and updated. The

changes are shown as tracked highlights in Appendix 1. Following review and approval by Council, Audit Committee may wish to review its work programme to reflect the changes to delegations. Other minor changes have been made for further clarity. The new or significant changes to delegations are detailed below under each delegation section below.

### Governance, Risk and Control

- (1) To review the Council's corporate governance arrangements against a good governance framework, the Local Code of Governance and consider annual governance reports and assurances, *including those for significant partnerships or collaborations*.

The guidance states that the Audit Committee's role, in respect of *significant* partnerships should be to consider assurances on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively and satisfy itself that the principles of good governance underpin the partnership arrangements, for example, by seeking assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance. Delegation 1 has therefore been amended for this.

The Council has a number of partnerships, for which differing governance arrangements will be in place. It is proposed that a stocktake of key partnerships and their existing arrangements is produced and reported to Audit Committee to seek assurances around those arrangements. The Internal Audit Plan also contains some days in relation to partnerships and control reviews.

- (10) To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management (FM) Code.

The guidance states that the FM Code (2019) provides a set of principles covering the operation of financial management throughout the authority to help ensure that internal financial controls operate effectively. Assurance over the level of compliance with the FM Code should be considered as part of the annual review on governance.

Compliance with the Code is currently considered as part of the annual review of effectiveness and progress on action reported.

### Internal Audit

- (12) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

The authority's Internal Audit service, whether an in-house team or provided through a shared service or outsourced arrangement, is a major source of assurance for Audit Committee, providing coverage across many areas. Where the service is external, the guidance recommends that the Audit Committee should review proposals for their appointment.

Walsall Internal audit services are currently provided by an external provider. The contract end date is 31 March 2024. As such, arrangements are currently being made to retender the contract. Officers will consult with the Chair on the most effective arrangements for the Committee to exercise this delegation. Approval of the contract will continue to rest with Cabinet in accordance with Contact Rules.

## External Audit

- (28) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).

The independence of auditors is critical for confidence in the audit opinion and audit process. Each year, External Audit will disclose to the Committee an assessment of whether it is independent. These disclosures should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. Usually, this disclosure is included in the audit plan and when reporting.

The guidance recommends that Audit Committee should seek information from the External Auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA, the auditor panel (in England), or from audit quality reviews by the Financial Reporting Council (FRC) or the Institute of Chartered Accountants in England and Wales (ICAEW).

The Committee can discharge its responsibilities in relation to this by seeking appropriate assurances of the External Auditor when they report on their work.

- (30) To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

It is standard practice for External Auditors (Internal Auditors) to have direct access to the Audit Committee. This helps to reinforce the independence of the auditors and reinforces the independence of the Audit Committee. The above is already in place for both Internal and External Audit, therefore the addition of this delegation clarifies that position.

- (31) To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

The deadline for the publication of the statements is set out in regulations. The guidance acknowledges that, recently, achieving these deadlines has been adversely impacted by the pandemic and delays in the completion of audits. Monitoring the status of both completion of the statements and liaison with the auditors before publication will be important for the Audit Committee. Audit Committee have already recognised this and sought assurances from the Chief Finance Officer and External Auditor about compliance. This delegation recognises the importance of the timing and accuracy of the financial statements.

- (36) To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

This delegation formalises the existing arrangement in place that an Annual Report is prepared and submitted to full Council. The guidance provides further insight as to what should be included within this report in order to provide assurance to all those charged with governance that the Committee fulfils its purpose and can demonstrate its impact. This delegation will be discharged by production of an Annual Report of Council as scheduled within the work programme and the undertaking of an effectiveness review of the Audit Committee which will inform the Annual Report.

- 4.3 The work programme seeks to ensure that the work of Audit Committee is focused on those areas requiring their scrutiny and oversight, specifically the internal control environment and assurance framework. The proposed work programme is attached at Appendix 2 and includes activity contained within the Committee's tracking chart from the previous municipal year.
- 4.4 In April 2023, the Committee received an indicative External Auditors Plan for the 2022/23 Accounts. The plan is currently being finalised and a verbal update will be given at the private meeting requested by Audit Committee.
- 4.5 The membership of Audit Committee comprises 7 councillors and 3 independent (non-voting) members. The Committee had previously requested that officers consult with group leaders to seek to maintain a level of consistency in councillor membership across municipal years. Current councillor membership is 6, all of whom were members of the Committee last year, with one councillor vacancy. There is also two independent (non-voting) member vacancies following the standing down of one independent member in January 2023. Recruitment to the vacancies will commence over the Summer.
- 4.5 Training on the remit and role of the Audit Committee, the governance framework, including the internal control environment and risk management framework, is planned to take place during the year. Additionally, it is proposed that further training and development opportunities are made available to Committee members, where required, to suit the requirements of individual members.
- 4.6 In relation to training and briefings, the following have been scheduled:
- Statement of Accounts – training to be held for all Committee members on 26 June 2023;
  - Discussions between officers and the Chair of the Committee on the plan for undertaking a review of effectiveness of the Committee and a workshop is to be arranged for all members to progress this;
  - Further proposed training programme for the Committee will cover the role and remit of the Audit Committee; the Statement of Accounts Overview; Governance and the Internal Control Framework; Risk Management and Assurance; Counter Fraud and Corruption; Accounting Policies – Appendix 2.
- 4.7 Additional learning and development opportunities may present during the year, including audit committee and governance related seminars. An updated CIPFA Position Statement and supporting guidance was released during 2022/23 and has been used to inform future briefings, training and work programmes. The Audit Committee Member in a Local Authority guidance has been circulated to members of the Committee. Additionally, CIPFA via their Better Governance Forum network, provide briefings and updates for Audit Committee Members, which will be circulated for information and/or follow up, as they are published.

## **5. Financial information**

- 5.1 There are no direct financial implications arising from this report. Financial management is an integral part of the council's governance framework.

## **6. Reducing Inequalities**

6.1 The work of the Audit Committee provides assurance that the council's governance arrangements are effective. Good governance support delivery of the council's objectives, a key driver of which is reducing inequalities.

## **7. Decide**

7.1 Audit Committee may approve the proposed work programme as set out or amend it as appropriate. The Committee are also able to update the work programme during the municipal year if there are matters that arise that the Committee wishes to address.

## **8. Respond**

8.1 The work of the Audit Committee will be reported to Full Council at the end of the Committee's work programme.

## **9. Review**

9.1 Progress against delivery of the work programme will be monitored throughout the year.

### **Background papers**

CIPFA Position Statement on Audit Committees;

CIPFA Audit Committee: Practical Guidance for Local Authorities and Police (CIPFA) – The Audit Committee Member in a Local Authority;

Guiding the Audit Committee - Supplement to Audit Committee Member in a Local Authority guidance (CIPFA);

2022/23 Work Programme;

Constitution – Part 3.

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**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 five times per year 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, the Local Code of Governance and consider annual governance reports and assurances, including those for significant partnerships or collaborations.
- (2) To review and approve the annual governance statement (AGS) ~~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; and to consider whether the annual evaluation for the AGS- fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- (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.
- (10) To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.

## **Internal Audit**

- (11) To approve the internal audit charter.
- (12) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

- (13) To commission work from internal audit.
- (14) 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.
- (15) To approve significant interim changes to the risk-based internal audit planning resource requirements.
- (16) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (17) 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.
- (18) To consider the hHead of internal aAudit'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.
- (19) To consider summaries on specific internal audit reports as requested.
- (20) To receive reports outlining the action taken where the head of internal auditor 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.
- (21) 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.
- (22) 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.



- (23) To support the development of effective communication with the Head of Internal Audit, provide free and unfettered access to the audit committee chair, including the opportunity for a private meeting with the committee.-

### **External audit**

- (24) To consider the external auditors annual letter, relevant reports, and the report to those charged with governance and their implications for governance, risk management or control.
- (25) To consider specific reports as agreed with the external auditor.
- (26) To comment on the scope and depth of external audit work to ensure it gives value for money.
- (27) To commission work from external audit.
- (28) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- (29) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- (30) To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### **Financial reporting**

- (31) To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- (32) To review and approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether the key risk concerns arising from financial statements from the audit that need to be brought to the attention of the Council.
- (33) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Accountability arrangements**

- (34) To report to those charged with governance of 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.
- (35) 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.
- (36) To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

## WALSALL COUNCIL – AUDIT COMMITTEE WORK PROGRAMME &amp; TIMETABLE – 2023/24

Activity / Area of Assurance	Lead Officer	26 June 2023	25 September 2023	20 November 2023	20 February 2023	9 April 2024
Overview of Key Issues for each report required by to Democratic Services for Agenda meeting with Chair		12 June	8 September	3 November	5 February	22 March
Date of Chair's agenda briefing meeting (Virtual Meeting / in Vicky's office @ 4.00pm)		14 June	13 September	7 November	8 February	27 March
Final Report required by Democratic Services		15 June	14 September	9 November	9 February	28 March 2023 (Bank holiday)
<b>Audit Committee Work:</b>						
Audit Committee role, remit and work programme	HOF (SP&A)	✓				
Chair's 2022/23 Annual Report to Council	HOF (SP&A)		✓			
Review of the Effectiveness of the Audit Committee	HOF (SP&A)		✓ High level assessment for 2022/23 Annual Report			✓
<b>Internal Audit and Risk:</b>						
Head of Internal Audit Annual Report and Annual Opinion 2022/23	HIA	✓				
Internal Audit Progress Report	HIA	✓	✓	✓	✓	✓
Internal Audit Performance (KPI) Report	HOF (SP&A)	✓ Final 2022/23	✓ (Q1 KPI)	✓ (Q2 KPI)	✓ (Q3 KPI)	✓ (Q4 Draft KPI)
Follow Up of High Priority Recommendations (Private)	HIA	✓	✓	✓	✓	✓
Risk Management update – Strategic Risk Register (SRR)	HIA / HOF (SP&A)		✓		✓	
Strategic Risk Review - SRR4b	ED - ASC		✓			
Strategic Risk Review - SRR8 and SRR9	DT&D				✓	
Strategic Risk Review - SRR2	DT&D			✓		
Risk Management Strategy Update	HOF (SP&A)					✓
Counter Fraud and Corruption Arrangements Update	HOF (SP&A)			✓		✓
Internal Audit Charter 2024/25	HIA				✓	
Internal Audit work plan 2024/25	HIA				✓ (Draft)	✓ (Final)

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Final Report required by Democratic Services		15 June	14 September	9 November	9 February	28 March 2023 (Bank holiday)
<b>Internal Audit and Risk (continued):</b>						
Retender of Internal Audit Contract - TBA	S151 Officer / HOF (SP&A)					
<b>Financial Management &amp; Statement of Accounts:</b>						
2022/23 Statement of Accounts (SoA)	S151 Officer / HOF (T&T)	✓ (Pre-audit)	✓ (Post-audit)			
Accounting Polices 2023/24	HOF (T&T)					✓
<b>Governance / Other:</b>						
Annual Review of Effectiveness of the System of Internal Control 2022/23	HOF (SP&A)	✓				
Annual Governance Statement 2022/23	HOF (SP&A)	✓ (Pre-Audit)	✓ (with SoA above)			
Annual Review of the Scheme of Delegations to Officers	MO					✓
Overview of Local Audit and Transparency of Local Authority Reporting ("Redmond Review") Update	HOF (SP&A)					✓
<b>Specific External Audit Work:</b>						
Audit Findings Report (Opinion on the Statement of Accounts 2022/23)	GT		✓ (with SoA above)			
Auditor's Annual Report 2022/23	GT			✓		
External Audit's request for information on how the Audit Committee gains assurance over management processes and arrangements – 2023/24 Accounts	HOF (SP&A) / GT				✓	

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<b>Specific External Audit Work:</b>						
External Audit Plan 2023/24 Accounts	GT					✓
Reporting of external inspections and reviews (Ofsted and CQC Inspections, etc).	HOF (SP&A) / ED'S	<i>These will be timetabled as they are dependent on timing of inspections, dates and publication of inspection outcomes.</i>				

<p><b>Key to Lead Officers:</b></p> <p><b>S151 Officer</b> - Officer charged with being responsible for the administrator of the council financial affairs (Chief Finance Officer)</p> <p><b>MO</b> - Assistant Director of Legal &amp; Democratic Services (Monitoring Officer)</p> <p><b>HOF (SP&amp;A)</b> - Head of Finance - Strategic Planning and Assurance</p> <p><b>HOF (T&amp;T)</b> - Head of Finance – Technical and Transactional</p>	<p><b>GT</b> - Grant Thornton (External Audit)</p> <p><b>HIA</b> - Head of Internal Audit (Mazars)</p> <p><b>ED's</b> - Executive Directors</p> <p><b>DOF</b> - Director of Finance, Corporate Landlord and Assurance (Deputy S151 Officer)</p> <p><b>DT&amp;D</b> - Director, Transformation and Digital</p>
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## **Foreword Plan**

1) Training is proposed as follows:

Standalone training:

Summer 2023: Overview of Role, Remit and Responsibilities of the Audit Committee (Governance, Risk Management Internal and External Audit) and workshop on Effectiveness of Audit Committee

Training Pre-meeting to Audit Committee meetings:

26 June 2023: Statement of Accounts Overview; Annual Governance Statement and the Internal Control Framework

25 September 2023: Risk Management; Statement of Accounts

20 November 2023: Counter Fraud and Corruption

20 February 2024: To be agreed

9 April 2024: Accounting Policies

Audit Committee training will also take place as and when policies and procedures are updated.

Bespoke training will be offered to all Members as requested and 121 Support session offered to all Members.