

25 September 2023

Annual Report of the Audit Committee to Council for 2022/23

Ward(s): All

Portfolios: All

Purpose: Approve

1. Aim

- 1.1 To provide Council with oversight of the work of the Audit Committee during 2022/23 in accordance with good practice.
- 1.2 To provide assurance that the Audit Committee continues to provide robust and effective challenge to the council's governance arrangements and internal control framework.
- 1.3 To confirm that the Audit Committee complies with the CIPFA Position Statement 2022 and provide the outcome of the Audit Committee's review of its effectiveness.
- 1.3 To provide an opportunity for Council members to provide feedback or query the work of the Committee.

2. Summary

- 2.1 This report presents the proposed Annual Report of the Audit Committee 2022/23 and seeks approval for the Vice Chair of Audit Committee for that year to present this report to full Council.

3. Recommendations

- 3.1 That Audit Committee review and provide feedback on the proposed Annual Report.
- 3.2 That, subject to any changes arising from recommendation 3.1, the Annual Report of the Audit Committee 2022/23 be approved and that the Vice Chair of the Audit Committee for that year present the report to the next meeting of Council.

4. Report detail – know

- 4.1 The Council is not obliged by law to appoint an Audit Committee; however this has been done in line with good governance practice and guidance from the Chartered Institute of Public Finance & Accountancy (Audit Committees: Practical Guidance for Local Authorities and Police).
- 4.2 Audit Committee's work is a major aspect of the council's corporate governance and internal control 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.

4.3 The production of an Annual Report to Council on Audit Committee's work strengthens assurance reporting and governance. This is further strengthened by the Vice-Chair of the Audit Committee reporting to Council on the activities of the Committee.

4.4 The CIPFA Position Statement (the "Statement") on Audit Committees sets out the key principles that CIPFA recommends for Audit Committees operating in local government. This Statement is supported by further guidance. The Statement and guidance were updated in 2022. The Statement provides greater prominence to the Annual Report to full Council, including that the Committee should "*report annually on how the Committee has complied with the Statement, discharged its responsibilities, and include an assessment of its performance.*" This report therefore incorporates an assessment of this.

5. Financial information

5.1 There are no direct financial implications arising from this report.

6. Reducing Inequalities

6.1 Effective governance arrangements ensure a focus on delivering of Council Plan objectives, a key driver of which is reducing inequalities.

7. Decide

7.1 The Committee can approve the Annual Report as set out or make suggestions for improvement.

8. Respond

8.1 Following consideration of this report, it will be presented to Council at the next available meeting.

9. Review

9.1 Any feedback received from Council members will be utilised in further Annual Reports going forward.

10. Background papers

Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022

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

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

Audit Committee agendas, minutes and reports for the municipal year 2022/23.

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13 September 2023

**Walsall Council
Annual Report of the Audit
Committee
Municipal Year 2022/23**

1. Introduction from the Chair of the Audit Committee

This is the ninth Annual Report of the Audit Committee and relates to its work programme for the 2022/23 municipal year.

The Council, like all other local authorities and public services continues to face significant challenges, including the impact of inflationary and cost of living pressures and increasing demand for services from residents and businesses which in turn impact on the financial position of the Council.

In such difficult times it is recognised that strong organisational governance is of even more importance. It is therefore both pleasing and important that the Council continues to support the Audit Committee, recognising the significance of the Committee's role and the positive contribution it makes to the council's overall governance and accountability arrangements for the benefit of the residents of the borough, other stakeholders, and indeed the Council itself.

I am pleased to report that Group Leaders have listened and acted upon Audit Committee's request for consistency in membership through municipal years and for 2023/24 the Committee membership remains unchanged. In the Committee's view, this will enable it to provide more consistent and effective support to the Council to discharge its governance responsibilities.

Section 4 of this report provides a summary of the work undertaken during 2022/23, and I hope that this will reassure Council as to the comprehensive level of oversight of governance arrangements provided by the Audit Committee.

Our last Annual Report to Council (for 2021/22) recognised the considerable change in the membership of the Committee for 2022/23, and therefore it was agreed to postpone its review of its own effectiveness so as to enable the six

new Councillor Members to experience as much of the full cycle of work programme responsibilities as possible. Since then updated CIPFA guidance on Audit Committees has been published, placing increased importance on this Annual Report to Council, including on how the Committee has discharged its responsibilities and an assessment of its performance. As such, the Committee undertook a review of its effectiveness using CIPFA's best practice checklist over the Summer, asking for and welcoming input into this from senior officers, External and Internal Audit.

The outcome is that the Committee is substantially compliant with CIPFA guidance and is considered effective overall, with some minor improvements identified. The assessment against the best practice checklist is set out at Appendix C for completeness.

A further review will be undertaken at the end of the 2023/24 municipal year in time for the next Annual Report and this will include an assessment of progress against identified improvement actions.

Looking ahead to 2023/24 an extensive programme of work has been approved for the Committee. The terms of reference and work programme remit have also been assessed against the updated CIPFA guidance and these were approved by full Council on 10 July 2023.

Finally, I would like to take this opportunity to thank all those members and officers for their invaluable contributions to and support of the work of the Audit Committee in the past year.

**Mr Andy Green,
Independent Chair of the Audit
Committee 2022/23**

25 September 2023

1. Terms of Reference

The terms of reference within which the Committee operated in the 2022/23

municipal year are detailed at the following link:

[Audit Committee Role and Remit 2022/23](#)

Congruent to the important principle of transparency in governance, Audit Committee meetings are open to members of the public and it has been encouraging to see the public continue to follow its meetings remotely during the past year.

2. Member and Officer Attendance

The Audit Committee met 5 times during 2022/23.

Membership of the Audit Committee during 2022/23 and their attendance is detailed at Appendix A.

A number of Audit Committee members also sat on various other Council Committees and panels. There were no matters debated at Audit Committee during the year that created a conflict of interest and necessitated members absenting themselves from meetings. Members considered whether there was a conflict of interest by sitting on both a Scrutiny Committee and the Audit Committee. Members felt that the simple matter of exempting themselves from any item under discussion, which had or was being considered by a Scrutiny Committee of which they were a member, was sufficient to manage any conflict.

The Audit Committee is intended to be “a-political” in nature and members are expected to be independent in mind and thought when present. This important concept, as recognised by the Council is further strengthened by the appointment of Independent Members on the Audit Committee. Following the standing down of one Independent Member in 2022/23, there are now two vacancies on the Committee and recruitment will be undertaken with a view to further strengthening the knowledge and skill set available to support governance oversight.

Senior officers from the Council also attended the Audit Committee as required, including the Chief Executive, the S151 Officer and deputies, Executive Directors and Directors/Heads of Service. Both the Head of Internal Audit to the Council and appointed External Auditor also attend each meeting and in accordance with good practice may be required to meet the Committee without other officers being present.

3. Training & Effectiveness

Members of the Audit Committee are provided with training appropriate to the role of the Committee. During the year training was made available in matters such as the function of the Audit Committee, the nature of the internal control environment; risk management and assurance framework; the role of Internal and External Audit; accounting policies and financial statements; and counter fraud. Induction sessions were also provided for new members of the Committee.

4. The Work of the Audit Committee during 2022/23

In fulfilling its terms of reference, a summary of the business conducted by the Audit Committee during 2022/23 is detailed at Appendix B, and covers the following broad themes:

- Internal Audit;
- External Audit (and Inspection);
- Financial Reporting;
- Risk Management;
- Corporate Governance.

These are discussed in more detail below:

4.1 Internal Audit

Internal Audit remains the prime source of assurance for the Committee.

In respect of the 2022/23 financial year, the following Head of Internal Audit Opinion has been given:

“On the basis of our audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Whilst weaknesses and exceptions were highlighted by our audit work, none of our reviews concluded with unsatisfactory assurance. Of the 40 reviews for which an assurance opinion was provided, 13 provided substantial assurance, 17 moderate assurance and 10 limited assurance. We have raised 7 high priority recommendations, 120 medium priority recommendations and 72 low priority recommendations during the period. These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

Our Follow up work confirmed that good progress has been made on implementing outstanding high priority recommendations, although some medium priority recommendations raised from prior years are yet to be fully implemented. These will continue to be followed up as part of the follow up programme for 2023/24”.

During 2022/23, the outcome of all Internal Audit reports was provided to the Audit Committee. Those reports that were afforded a limited assurance opinion were submitted to Audit Committee for consideration.

The Committee also received reports on the performance of the Internal Audit function which indicated that the service was performing well against the majority of its performance measures; notably all

key financial systems and high priority audits were completed within the plan.

The Audit Committee also endorsed Internal Audit’s work plan for 2023/24.

4.2 External Audit / Inspection

The main responsibilities of the External Auditor are to obtain and report on whether the council's financial statements have been properly prepared and are free from material misstatement, and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Grant Thornton LLP, the Council's appointed Auditor provided an unqualified opinion in their Audit Findings Report on the 2021/22 accounts and reported that:

- The financial statements gave a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended;
- The financial information in the Financial Report was consistent with the financial statements.

In addition Audit Committee and subsequently Council received the second Annual Audit Report (2021/22) on the council’s value for money arrangements in relation to:

- Improving economy, efficiency and effectiveness;
- Governance; and
- Financial sustainability.

No significant weaknesses were identified by the Auditor. Furthermore no improvement recommendations were made in relation to Governance and a total of four recommendations were made across the remaining two criteria for the council to consider. Progress in dealing with these recommendations are reported to the Audit Committee.

4.3 Financial Reporting

During 2022/23, the Committee scrutinised the 2021/22 statement of accounts and also received reports on accounting policies adopted by the Council.

The Committee also received and reviewed progress against recommendations of the External Auditor contained in its Annual Audit Findings Report; the Committee's oversight of the council's governance arrangements to support the External Auditor's annual risk assessment for financial reporting; and received regular updates in relation to the Overview of Local Audit and Transparency of Local Authority Reporting (Redmond Review).

4.4 Risk management

Audit Committee received reports on risk management and reviewed the Strategic Risk Register at its meetings in September 2022, March 2023 and April 2023.

A review of the Risk Management Strategy was undertaken in 2022/23 and the Committee received and commented on the outcome of that review in November 2022. Recommendations from the review have been fed into an updated Strategy. Further work is being undertaken to establish the 'risk appetite' of the organisations which will lead to a further review of the Strategy at the end of 2023/24.

Audit Committee asked for additional reports in relation to two specific strategic risks (relating to firstly the "Proud" transformational programme and then the arrangements for Financial Resilience within the Council) and called relevant accountable officers to provide reassurance that actions were being taken to manage the identified risks.

4.5 Corporate governance

The Annual Governance Statement (AGS) and review of effectiveness of the Council's system of internal control for the 2021/22 financial year was presented to the Audit Committee by the Chief Executive (Head of Paid Service) and Leader of the Council and concluded with reference to the opinion of the Head of Internal Audit, and the work of the Audit Committee that the effectiveness of the system of internal control was adequate overall.

Reports on progress in relation to the Counter Fraud Response Plan have been considered in November 2022 and April 2023. A council wide fraud risk register has been developed which is now being refined, with counter fraud awareness training due to be rolled out in 2023/24. A review of the existing Counter Fraud Policy is also planned.

The Committee considered a number of other reports in relation to corporate governance;

- Grant Thorntons second report on Lessons from Public Interest Reports and other Interventions, and;
- The Council's Corporate Peer Challenge (CPC) Report and action plan.

It was pleasing that there were no significant areas of improvement identified arising from these reports for the council to act on in relation to internal control or governance.

Indeed, the CPC report provided favourable feedback in relation to governance and internal controls and the Audit Committee itself.

"Through the Peer Review process, the team were presented with evidence of strong governance arrangements."

The Committee was consulted on the Council's update to its Local Code of Governance and provided feedback and suggestions for improvement, which are

currently being incorporated into the revised Code.

A Committee decision tracking report was again utilised in 2022/23 to track all of its decisions for which a follow-up is required, to enable Committee members to monitor any outstanding actions and seek updates at future meetings where applicable.

5. Conclusion

The Audit Committee is an important element of a strong governance system and as can be seen has undertaken a comprehensive work programme in furtherance of its duties and objective to provide assurance of the satisfactory operation of the control system at the Council.

The Committee will continue to focus on supporting the Council to demonstrate strong corporate governance. It has assessed its own effectiveness against CIPFA's best practice guidance and will ensure improvement actions identified are implemented and will report progress on this in the next Annual Report to Council.

Appendix A

Audit Committee Meetings and Member Attendance

	Mr A Green Independent Member (Chair)	Cllr S Johal (Vice- Chair)	Cllr B Bains	Cllr S Elson *	Cllr L Harrison *	Cllr S Hussain	Cllr R Larden	Cllr x Mehmi	Cllr A Nawaz	Ms S Ajaz Independent Member
22.06.2022	✓	✓	✓	✓	N/A	N/A	✓	✓	N/A	x
26.09.2022	✓	✓	✓	✓	N/A	N/A	✓	✓	x Cllr Worrall substituted	x
21.11.2022	✓	x	x	x	N/A	x	✓	✓	✓	x
02.03.2023	✓	✓	✓	N/A	x	✓	✓	x	✓	N/A**
09.04.2023	✓	✓	✓	N/A	✓	✓	✓	x	✓	N/A**
% Attendance	100%	80%	80%	66%	50%	66%	100%	60%	75% & 25% substitute attendance	0%

*Councillor S. Elson stood down after the November 2022 meeting as she became a member of the Cabinet and Councillor L. Harrison replaced Councillor S. Elson on 9 January 2023.

**Mrs S. Ajaz stood down as an independent member on 1 January 2023, leaving 2 vacant posts (out of 3).

Summary of Audit Committee Work Plan 2022/23

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
22 June 2022	Committee Decision Tracking Chart					✓
	Audit Committee role, remit and work programme 2022/23					✓
	Internal Audit Annual Report and Opinion for the year ending 31 March 2022	✓				✓
	Pre-Audit draft Statement of Accounts 2021/22			✓		✓
	Annual Review of Effectiveness of the System of Internal Control 2021/22	✓	✓	✓	✓	✓
	Annual Governance Statement 2021/22	✓	✓	✓	✓	✓
	Amendments to Planning and Building Control Delegations under Part 3.5 of the Council's Constitution					✓
	Internal Audit Progress Report 2022/23	✓				
	Redmond Review Update – Oversight of Local Audit and the Transparency of Local Authority Financial Reporting		✓	✓		
	Follow Up of High Priority Recommendations (Private)	✓				

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
26 September 2022	Committee Decision Tracking Chart					✓
	Statement of Accounts Progress 2021/22		✓	✓		
	Internal Audit Progress Report 2022/23	✓				
	Internal Audit Performance (KPI) 2022/23	✓				
	Risk Management update – Strategic Risk Register (SRR2 and SRR7)				✓	
	Risk Management update – Strategic Risk Register				✓	
	Follow Up of High Priority Recommendations (Private)	✓				
21 November 2022	Committee Decision Tracking Chart					✓
	Annual Report of the Audit Committee 2021/22				✓	
	Statement of Accounts Progress 2021/22		✓	✓		
	External Audit Annual Report 2021/22		✓			✓
	Internal Audit Progress Report 2022/23	✓				
	Internal Audit Performance Quarter 2 (KPI) 2022/23	✓				
	Risk Management Strategy Review				✓	
	Counter Fraud and Corruption Arrangement Update			✓	✓	✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
21 November 2022 (continued)	Overview of Local Audit and Transparency of Local Authority Reporting (Redmond Review) Update		✓	✓		
	Report of Grant Thornton Lessons from Public Interest Reports and other Interventions	✓	✓	✓	✓	✓
	Follow Up of High Priority Recommendations (Private)	✓				
2 March 2023	Committee Decision Tracking Chart					✓
	Post Audit Statement of Accounts 2021/22 and Audit Findings Report		✓	✓		
	External Audit - Informing the Audit Risk Assessment 2022/23 Accounts		✓	✓	✓	✓
	Internal Audit Progress Report 2022/23	✓				
	Internal Audit Performance Quarter 3 (KPI) 2022/23	✓				
	Risk Management update – Strategic Risk Register				✓	
	Internal Audit Work Plan and Charter 2023/24	✓				
	Follow Up of High Priority Recommendations (Private)	✓				
11 April 2023	Committee Decision Tracking Chart					✓
	Voter Identification				✓	✓

Meeting Date	Report Subject	Assurance Theme				
		Internal Audit	External Audit/Inspection	Financial Reporting	Risk Management	Corporate Governance
11 April 2023 (continued)	Internal Audit Work Progress Report 2022/23	✓				
	Strategic Risk Register				✓	
	Local Code of Governance Review					✓
	Review of the Effectiveness of the Audit Committee	✓	✓	✓	✓	✓
	Counter Fraud and Corruption Arrangements Update			✓	✓	✓
	Accounting Policies 2022/23			✓		
	External Audit Plan 2022/23 Accounts		✓			
	Corporate Peer Challenge Report				✓	✓
	Internal Audit Work Plan 2023/24	✓				
	Follow Up of High Priority Recommendations (Private)	✓				