

24th June 2022

ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2021-22

Purpose

1. To seek Council's endorsement for the Annual Report of the WLGA's Audit Committee which follows as Annex 1.

Background

2. The Audit Committee last met on 17th March 2022. This Annual Report covers the period since the last WLGA AGM in June 2021. The report provides an overview of the work undertaken by the Committee during 2021-22 in accordance with its terms of reference.

Recommendation

3. The WLGA Council is asked to:

- 3.1 Endorse the Annual Report of the WLGA Audit Committee.

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ANNEX 1

THE ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2021-22

Membership of the WLGA Audit Committee 2021-22

Chair Cllr Linda Evans (Carmarthenshire) – Plaid Cymru
Vice Chair Cllr Christopher Weaver (Cardiff) – Labour
 Cllr Maureen Webber (Rhondda Cynon Taf) – Labour
 Cllr Aled Davies (Powys) – Conservative
 Cllr Rosemarie Harris (Powys) – Independent

Terms of Reference of the Audit Committee

The terms of reference and responsibilities of the Audit Committee derive from the WLGA Constitution.

The Audit Committee has overall responsibility for monitoring the integrity of the financial statements of the Association, and for overseeing the internal control and risk management systems.

The Audit Committee:

- Reviews the financial statements prepared for the Association, specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive Board or Council.
- Monitors the processes relating to the management of the Association's overall risks, internal controls and corporate governance arrangements and consider the level of assurance that can be taken from those processes.
- Oversees the appointments of external auditors, commission work from internal and/or external audit as appropriate, monitor the operation of internal and external audit processes for the Association and seek expert advice where necessary to provide independent internal or external assurance on key issues.
- Considers issues of probity and conduct and agree action necessary to ensure that the practice for the Association and its associated companies reflects an appropriate ethical framework.
- Presents an annual report to the Council, detailing the activities of the Committee during the year and an assessment of the adequacy and effectiveness of the internal control framework of the Association.

Meetings of the Audit Committee

Copies of the agendas and reports to the WLGA Audit Committee meetings held during the 2021-2022 Council term are available on the WLGA's website:

- [October 2021](#) meeting of Audit Committee
- [March 2022](#) meeting of Audit Committee

WLGA External Auditors

In October 2021 the Audit Committee confirmed the appointment of Bevan Buckland LLP as the external Auditors to the WLGA for 2021-22 (financial year) to undertake the audit of the WLGA financial statements for the relevant financial years.

At the March meeting, Bevan Buckland LLP presented the proposed Audit Plan for the audit of the Welsh Local Government Association for the year ending 31st March 2022. The auditors presented three potential areas of significant risk this year:

- Revenue recognition (including inappropriate recognition of receipts received in an agency capacity)
- Management override of controls
- Treatment of office refurbishment costs
- Treatment of rent-free period
- Treatment of deferred income

Additional areas of audit focus were also highlighted and will be monitored:

- The impact on the pension accounting treatment and asset valuations due to the crisis in Ukraine

Planning materiality was set at £360k using a benchmark of 2% of prior year income. The Interim Audit had gone well, and the Final Audit will commence 4th July 2022.

Risk Management and Business Continuity

The Audit Committee reviewed the WLGA Strategic Risk Register at each meeting following a quarterly review by the WLGA Strategic Management Team (SMT). The Committee looked at the weighting ascribed to each risk and the mitigating factors to be applied to address those risks to ameliorate or remove them.

At the March meeting, the Committee was presented with the results of a review of the risk management policy. This was completed after extensive stakeholder engagement including with the chair of the committee.

This was undertaken by an officer from Cardiff Council and the review concluded with 7 recommendations which were accepted by the SMT and Audit Committee:

1. The WLGA should develop and implement a Risk Management Strategy & Policy. This would seek to:

- a. Outline the scope of risk management.
- b. Integrate and embed risk management into the culture of the organisation.
- c. Assign risk management roles, responsibilities and accountability.
- d. Ensure risk awareness and proportionate and consistent management of risk.
- e. Prevent injury, damage, breaches and losses.
- f. Enhance realisation of opportunities and resulting benefits.

2. SMT should review the organisation's risk appetite, current strategic risks, risk categories and its risk scoring matrix.
3. Directorate/service area risk registers should be introduced.
4. The current format for capturing and reporting risks needs to be reviewed.
5. Governance arrangements need to be reviewed for the reporting of the organisation's risks, and this should include the role of the Audit Committee.
6. Risk management training for all key/identified staff.
7. Awareness raising of risk management across the hole of the organisation.

This will be implemented in 2022 and progress presented to the next Audit Committee.

Other issues

At various points the Audit Committee also received reports on:

- Accommodation Review;
- Data Protection Compliance & Progress;
- Treasury Management;
- Review of Internal Controls; and,
- the Future Work Programme.