

ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2020-21**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 the 16th April 2021. This annual report covers the short period since the last WLGA AGM in October 2020. The report provides an overview of the work undertaken by the Committee during 2020-21 in accordance with its terms of reference.

Recommendation

- 3. Council is asked to endorse the annual report of the Audit Committee.**

Author: Jon Rae
Director of Resources

E-mail: jon.rae@wlga.gov.uk

Mobile: **07979 018007**

ANNEX 1

THE ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2020-21

Membership of the WLGA Audit Committee 2020-21

Chair Cllr Linda Evans (Carmarthenshire) – Plaid Cymru
Vice Chair Cllr Christopher Weaver (Cardiff) – Labour
 Cllr Maureen Webber (Rhondda Cynon Taf) – Labour
 Cllr Julian Thompson-Hill (Denbighshire) – 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 2020-2021 Council term are available on the WLGA's website:

- WLGA Audit Committee held [16th April 2021](#) via MS Teams

This Annual Report of the WLGA Audit Committee spans the short Council Term during 2020-21 where there was only one meeting of the committee.

WLGA External Auditors

In October 2020 the Audit Committee confirmed the appointment of Bevan Buckland LLP as the external Auditors to the WLGA for 2020-21 (financial year) to undertake the audit of the WLGA financial statements for the relevant financial years.

At the April meeting, Bevan Buckland LLP presented the proposed Audit Plan for the audit of the Welsh Local Government Association for the year ending 31 March 2021. 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 – manipulation of accounts to make them look better than they are; and,
- insufficient recognition of dilapidation provision - in relation to the move from Local Government House.

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

- the impact of the Covid-19 pandemic and the resulting restrictions on Going Concern;
- recognition and disclosure of the pension liability and associated movements during the year; and,
- Recognition & recoverability of grant debtors.

The Interim Audit had gone smoothly, and the Final Audit will commence 28 June 2021.

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. 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.

The Committee noted that the impact of covid continues to shape the risk environment. And that a lot of effort has gone into the risk mitigations around engagement with Welsh Government, communications with elected members and WLGA staff. It also noted the

importance on effective governance which is a risk for all local authorities and organisations.

WLGA Members Allowances

The Audit Committee approved the WLGA Members' Allowances Scheme for WLGA Office Holders for the Council term 2020-21 in October 2019.

The 2021-22 Scheme was approved in October 2020 based on the decision in the previous year to align them with any Senior Salary uplift for councillors set by the Independent Remuneration Panel for Wales.

The Committee recommended that a wider review of WLGA Members' Allowances is commissioned over the next 18 months to be introduced for the new Association membership from the next municipal term in 2022-23.

Other issues

At various points the Audit Committee also received reports on:

- the Accommodation Review;
- updates on the Internal Control questionnaire; and,
- the Future Work Programme.