

30<sup>th</sup> June 2023

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## **ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2022-23**

### **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 16<sup>th</sup> May 2023. This Annual Report covers the period since the last WLGA AGM in June 2022. The report provides an overview of the work undertaken by the Committee during 2022-23 in accordance with its terms of reference.

### **Recommendation**

#### **3. The WLGA Council is invited to:**

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

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## **THE ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2022-23**

### **Membership of the WLGA Audit Committee 2022-23**

Chair	Cllr Linda Evans (Carmarthenshire) – Plaid Cymru
Vice Chair	Cllr Anthony Hunt (Torfaen) – Labour
	Cllr Eluned Stenner (Caerphilly) – Labour
	Cllr Maureen Webber (RCT) – Labour
	Cllr Bernie Attridge (Flintshire) – 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 considers the level of assurance that can be taken from those processes.
- Oversees the appointments of external auditors, commissions work from internal and/or external audit as appropriate, monitors the operation of internal and external audit processes for the Association and seeks 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 2022-2023 Council term are available on the WLGA's website:

- [October 2022](#) meeting of Audit Committee
- [May 2023](#) meeting of Audit Committee

## **WLGA External Auditors**

In October 2022 the Audit Committee confirmed the appointment of Bevan Buckland LLP as the external Auditors to the WLGA for 2022-23 (financial year) to undertake the audit of the WLGA financial statements for the relevant financial years.

At the May 2023 meeting, Bevan Buckland LLP presented the proposed Audit Plan for the year ending 31<sup>st</sup> March 2023. The auditors presented three potential areas of significant risk this year:

- Revenue Recognition (presumption on every audit engagement in accordance with ISA (UK) 240)
- Management Override of Controls (presumption on every audit engagement in accordance with ISA (UK) 240)
- Treatment of Deferred Income (significant risk due to the number of grant funded initiatives)

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

- The impact of the pension accounting treatment and asset valuations as these affect reserves; and
- The treatment of dilapidation costs regarding the issue with the former landlord at Drake Walk.

Planning materiality was set at £730k using a benchmark of 2% of prior year income. The Interim Audit had gone well, and the Final Audit will commence on the 26<sup>th</sup> June.

## **Review of the Association's Financial Regulations**

A proposal to review the WLGA's Financial Regulations was presented to the previous Audit Committee in 2021. The regulations were subsequently independently reviewed by a former s151 officer and the new regulations presented to the Audit Committee meeting in October 2022.

The review looked at good practice across several local authorities in England and Wales and discussed at the Senior Management Team with the reviewer in attendance.

There are a number of new features compared to the previous regulations:

- they are codified into 11 discrete regulations;
- the internal audit function is a new aspect of the regulations;
- an additional regulation on grant funding and the Welsh language; and,

- clearly set out roles and responsibilities for individuals and the organisation

The last financial training for staff took place in early 2020 and upon completion of the review of financial regulations, two training sessions have been run so ensure staff understand the new rules and procedures. The training is mandatory and so far, around two thirds of staff members have completed it. A further session will be held in June, with the possibility of a final 'mop-up' session thereafter should it be required. For new staff the training it will be part of the induction process.

## **Other issues**

At various points the Audit Committee also received reports on:

- Strategic Risk Register;
- Accommodation Review and issues with dilapidations;
- Data Protection Compliance & Progress;
- Treasury Management; and
- The Future Work Programme.