

12th July 2024

ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2023-24

Purpose

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

Background

2. The Audit Committee last met on 18th April 2024. This Annual Report covers the period since the last WLGA AGM in June 2023. The report provides an overview of the work undertaken by the Committee during 2023-24 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 2023-24

Membership of the WLGA Audit Committee 2023-24

Chair: Cllr Linda Evans (Carmarthenshire) – Plaid Cymru
Vice Chair: Cllr Anthony Hunt (Torfaen) – Labour (Cllr Sue Morgan substituting)
Other Members: Cllr Eluned Stenner (Caerphilly) – Labour
Cllr Maureen Webber (RCT) – Labour
Cllr Bernie Attridge (Flintshire) – Independent (Up to October 2023)
Cllr Glyn Banks (Flintshire) – Independent (From April 2024)

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 2023-2024 council term are available on the WLGA's website:

- [October 2023](#) meeting of Audit Committee
- [April 2024](#) meeting of Audit Committee

At the April 2024 meeting it was agreed that future meetings should be held quarterly.

WLGA External Auditors

In October 2023 the Audit Committee scrutinised the WLGA financial statements for 2022-23 which were endorsed by the WLGA Executive Board in January 2024.

It also confirmed the appointment of Bevan Buckland LLP as the external Auditors to the WLGA for 2023-24 (financial year) to undertake the audit of the WLGA financial statements for the relevant financial year.

At the April 2024 meeting, Bevan Buckland LLP presented the proposed Audit Plan for the year ending 31st March 2023. Four areas of high/significant risk have been identified by the auditors:

- 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)
- Going concern and impact of financial pressure on members

The auditors also proposed to focus on one further additional area of lower risk:

- The impact of the pension accounting treatment and asset valuations as these affect reserves.

Planning materiality was set at £572k using a benchmark of 2% of prior year income. The Interim Audit had gone well, and although the date of the Final Audit was not known at the time, we now know that it will commence by the 24 June.

Review of the Association's Financial Regulations

A proposal to review the WLGA's Financial Regulations was presented to the 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 main changes presented to the October 2023 Audit Committee are:

- Updated procedures for elected members to claim expenses as well as reimbursement of T&S expenses.
- Update to the purchase order section to reflect the new working arrangements.
- Update to the list of corporate card holders.
- Inclusion of sponsorship guidance

As noted at previous Audit Committee meetings, the last training for staff was undertaken in early 2020. The Audit Committee heard that the Director of Resources and Finance Manager have run 4 training sessions during 2023. These sessions were mandatory for all staff and there was 100% compliance. Refresher sessions will be held to ensure starters are aware of the regulations and this is now part of our corporate induction programme.

Risk

An updated and revamped WLGA Corporate Risk Management Strategy & Policy, alongside a new WLGA Corporate Risk Register, was presented to the Audit Committee in April 2024. This was re-worked following a risk review by Cardiff Council.

A meaningful risk management process will provide the Audit Committee with a better understanding of the corporate risks and their likely impact; hence the entire process and register have been overhauled to make this more meaningful, dynamic and responsive. The Risk Register is reviewed and updated on a quarterly basis by the WLGA Strategic Management Team before it is scrutinised at the Audit Committee.

Other issues

At various points the Audit Committee also received reports on:

- Proposal for an internal audit
- Data Protection Compliance & Progress;
- Treasury Management; and
- The Future Work Programme.