

SUBJECT: REVIEW OF AUDIT COMMITTEE EFFECTIVENESS

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: AUDIT MANAGER

1. Purpose of Report

- 1.1 To review the effectiveness of the Audit Committee benchmarking against CIPFA best practice.

2. Background

- 2.1 CIPFA have recently published new guidance for public sector audit committees and therefore it was felt to be an appropriate time to undertake a review against these. The Committee have already reviewed and approved new terms of reference based on the new guidance in September 2018.

- 2.2 The review was split into different areas covering:

- Terms of reference
- Work programme comparison to terms of reference
- The main CIPFA self-assessment
- Training - Core areas of knowledge and skills
- Effectiveness of the Audit Committee (adding value section)

- 2.3 Documentation relating to these areas was examined by a Member review group.

- 2.4 The areas and suggested actions below were agreed by the review group and are subject to further consideration by the Audit Committee

3. Outcome of Review Group - Suggested Areas for Further Action

3.1 Assurance on Value for Money Arrangements

This is covered in the Audit Committee terms of reference and also the self-assessment document. Currently the Committee receive assurance through internal audit reports and the External Auditor's review of value for money arrangements. There is no specific VFM reporting.

It was felt that a specific annual report on value for money arrangements would be useful for the Committee to receive.

If there were any VFM matters that needed reporting during the year this would be via the internal audit progress report.

3.2 Ethics – Ethical Values and Engaging with Other Committees

Both the terms of reference and the self-assessment make reference to a role with supporting ethical values.

“To engage with relevant committees to help support ethical values and reviewing arrangements to achieve those values as appropriate”.

“To review the Council’s arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework)”.

Currently the Committee reviews the Code of Corporate Governance and Annual Governance Statement. A values and behaviours internal audit report is scheduled to be reported to Audit Committee in February. It was proposed that following the receipt of this report, Members would be in a more informed position to determine how they may wish to further support these areas within the terms of reference.

The review group also suggested considering input from the Corporate Social Responsibility forum.

3.3 Review of Governance Arrangements for Significant Partnerships

Both the terms of reference and the self-assessment make reference to a role with this area.

This is covered to an extent within existing internal audit reports (there is a specific partnership audit in 2018/19) and partnership working is also covered in other audits

However, it was felt that a new partnerships annual report should be presented to the Audit Committee covering key governance arrangements to ensure that the Committee met fully the terms of reference.

3.4 External Auditors Annual Assessment Review

The terms of reference require “to support the independence of external audit through consideration of the external auditor’s annual assessment of its independence and review of any issues raised by PSAA or the authority’s auditor panel as appropriate”.

The PSAA produce a regulatory compliance and quality review report once a year.

It was suggested that this should be included in the audit progress report, once published.

This will be included in the December 18 IA progress report (summary).

3.5 Follow Up (Track) External Audit Recommendations

The terms of reference require this. External audit recommendations are reported

to Committee but the tracking is not as formal as it could be.

To ensure that they are tracked and regularly reported back to Audit Committee it was felt that they should be included with the internal audit recommendation follow up system.

3.6 Annual Audit Committee Report – Ensure Approved via Audit Committee if Possible

Terms of reference: *“To report to full council on an annual basis on the committee’s performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.”*

Good practice would be to circulate to Committee in advance. Due to time restrictions it was suggested that this could be at least circulated by email for comments in advance.

3.7 Oversight of Other Public Reports

Not in the current TOR but it is considered good practice for an oversight of other public reports – e.g. annual report

The review group felt that reports are already available to all members, through Executive and other Committee agendas, and therefore there was no requirement to formally present to audit committee.

Officers would ensure that the Independent Member also received such reports.

3.8 Core Knowledge and Skills

CIPFA have produced schedules of core knowledge and skills – the former is dealt with mainly through the range of reports received by Committee.

It was suggested that some training would be developed and offered to cover these areas – both as a presentation and also through e-learning (or equivalent). The documents would be circulated to members who could also request a focus on specific areas. These are attached at Appendix A and B.

The review group highlighted the fact that for any new members the committee very quickly get into detail on complex reports such as the statement of accounts so any training needs to be delivered in a timely manner.

Officers would review what training options were available both internally and externally.

3.9 Understanding and “Promotion” of Local Code of Corporate Governance and AGS

This came under the effectiveness review.

This is covered in the Audit Committee annual report. Members may wish to focus on this area when considering the draft report.

3.10 Implementation of Audit Recommendations

This is part of the terms of reference and members have already taken the initiative to undertake greater scrutiny of overdue recommendations with officers commencing December 2018.

3.11 Public Interest Entity - Requirements

During 2018 it was communicated by the External Auditor that PIE accounting requirements meant that the Audit Committee should have the following:

“At least one member of the audit committee must have competence in accounting and auditing (same requirement as in the 2006 Statutory Audit Directive)”

The review group raised this again and the Chief Financial Officer agreed to raise the matter with the new External Auditors.

4. **Organisational Impacts**

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

4.2 Legal

There are no direct legal implications.

5. **Recommendation**

5.1 Members should consider the points raised from the Audit Committee review of effectiveness and agree which ones should be taken forward together with any suggested amendments.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? Two

List of Background Papers: None

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