

Subject:	Review of the Effectiveness of the Audit Committee		
Date of Meeting:	21st February		
Report of:	Director of Finance		
Contact Officer:	Name:	Catherine Vaughan Ian Withers	Tel: 29-1333 29- 1323
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 Strong and effective governance arrangements contribute to the achievement of the council's priorities and the Audit Committee has a key role to play in this.
- 1.1 Best practice now suggests that there should be a regular review of the effectiveness of the Audit Committee. This report is the final stage in conducting that review and follows a report to this committee in December and a workshop with representatives from each political group in January. Some of the issues identified fall within the direct remit of the Audit Committee to action. Others have been fed into the wider review of the Council's Constitution and will be a matter for decision by Full Council.

2. RECOMMENDATIONS:

- 2.1 That the Audit Committee notes the findings against "The Audit Committee Self-Assessment Checklist".
- 2.2 That the recommended actions set out in Appendix 1 be agreed.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 There is no statutory obligation for a local authority to establish an audit committee. However there is a wide range of guidance and best practice which shapes and informs the operation of this committee including the Combined Code on Corporate Governance (2003), the Good Governance Standard for Public Services (2004) and the Accounts and Audit Regulations 2011.

- 3.2 CIPFA (The Chartered Institute of Public Finance & Accountancy) produced guidance and a Toolkit for Local Authority Audit Committees in 2006. The toolkit states:

“Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation’s corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. CIPFA believes that these functions are best delivered by an audit committee separate from executive functions.”

- 3.3 A formal review of the effectiveness of the audit committee has not previously been undertaken. However when the Audit Committee was established, replacing the previous Audit Panel in 2008, best practice at the time was taken into account. It is timely therefore to undertake this review, particularly in the context of the consideration being given to the council’s overall constitution in the light of the power given to local authorities under the Localism Act 2011 to adopt a committee system of governance.
- 3.4 The National Audit Office (NAO) produced The Audit Committee Self-Assessment Checklist in 2009 (“The Checklist). It was designed to help Audit Committees in central government assess how well they apply good practice. While this document is not specific to local government and indeed needs some contextualising to make it relevant to our circumstances it is a more recent publication than the CIPFA equivalent toolkit. It also has a style that is particularly suited to self-assessment, workshop style discussion, and continuous improvement. This checklist has therefore been core to the undertaking of the Review of Effectiveness of the Audit Committee. A range of other relevant information was supplied to members attending the workshop in January. The Head of Law also attended part of this session to help members understand some of the key constitutional issues and also to receive feedback.
- 3.5 The recommended actions arising following the initial assessment and the member workshop are set out in Appendix 1.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 A workshop for Audit Committee members was held on 17th January 2012.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 There are no direct financial implications arising from the recommendations. The Audit Committee supports the Council to maintain financial integrity through its assurance role. Adopting the recommended actions following the self assessment gives assurance that good practice is being applied.

Legal Implications:

- 5.2 Proposals for a new system of council governance are due for consideration by Full Council on 26 April 2012. These proposals include a combined Audit & Standards Committee; the proposed terms of reference and membership for this Committee are also subject to Full Council approval.

Should these proposals be approved, the new Audit & Standards Committee would come into effect from Annual Council 2012. The recommendations at Appendix 1 of this report should be considered in light of these planned changes.

Lawyer Consulted: Oliver Dixon

Date: 13/02/12

Equalities Implications:

- 5.3 No direct equalities implications.

Sustainability Implications:

- 5.4 No direct sustainability implications.

Crime & Disorder Implications:

- 5.5 No direct crime and disorder implications.

Risk and Opportunity Management Implications:

- 5.6 An effective audit committee will ensure that the council has adequate arrangements for risk and opportunity management.

Public Health Implications:

- 5.7 No direct crime and disorder implications.

Corporate / Citywide Implications:

- 5.8 An effective audit committee is an essential part of good corporate governance.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 There are a range of tools that could be used to evaluate the effectiveness of the Audit Committee.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 To ensure that there is an effective audit committee contributing to the effective governance of the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 – Findings against the NAO “Audit Committee Self Assessment Checklist”
2. Appendix 2 – Proposed revisions to the Audit Committee Terms of Reference

Background Documents

1. NAO The Audit Committee Self-Assessment Checklist 2009
2. Audit Committees Practical Guidance for Local Authorities (CIPFA) 2006
3. A Toolkit for Local Authority Audit Committees (CIPFA) 2006
4. Government Response to the future of Local Audit Consultation 2012