

## REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2018/19

### Audit Committee - 18 July 2019

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

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**This report supports the Key Aim of: Effective Delivery of the Council Plan**

**Portfolio Holder** Cllr Matthew Dickins

**Contact Officer** Adrian Rowbotham, ext. 7153

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#### **Recommendation to Audit Committee: That**

- (a) Members **discuss** & subject to comments, **approve** the Self-Assessment Review of the Effectiveness of the Audit Committee (Appendix A) for 2018/19.
  - (b) Members **approve** to undertake the revised self-assessment (Appendix B) later in the year to identify any areas of improvement
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**Reason for Recommendation:** The Audit Committee is a key component of the Council's governance framework. It is an important source of assurance for the Council's arrangements to manage risk, maintain an effective control environment and report on financial and other performance. It is therefore vital that the Audit Committee is effective, and that we have arrangements in place to continually support, develop and enhance the Committee.

The self-assessment against CIPFA's **Audit Committees - Practical Guidance for Local Authorities** indicates that the arrangements in place are fully compliant, and that Committee has operated effectively over the course for 2018/19.

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#### **Introduction and Background**

- 1 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for public finance. They have recognised the importance of the Audit Committee and issued a position statement setting out the functions, composition, skills and requirements. As part of this guidance, they published a self-assessment checklist against each of the key requirements.

- 2 Members of this Committee have always supported the notion of continual development and improvement, and have accepted the underlying principles set out in CIPFA guidance. Therefore, the Committee has undertaken a self-assessment for a number of years using the self-assessment checklist. We have used the same checklist as in previous years to undertake the self-assessment to look back on 2018/19. The outcomes of the assessment (**Appendix A**) show that the Committee complies with all aspects set out in the checklist.
  
- 3 The checklist has been amended where necessary to reflect our local approach, and to take out any elements now relevant to Local Government governance. The assessment has been completed as far as possible drawing from the work of the Committee in relation to its Terms of Reference using the evidence available from the work of the Committee during 2018/19. The checklist incorporates the following eight key issues that the Committee is required to measure its achievements against.
  - **Terms of Reference** - Does it comply with best practice?
  - **Internal Audit Process** - Is there sufficient oversight by the Committee?
  - **External Audit Process** - Is there sufficient involvement?
  - **Membership** - Does it comply with good practice requirements?
  - **Meetings** - Frequency and robustness
  - **Training** - Is it fit for purpose?
  - **Administration** - Is the Committee supported by relevant officers?
  - **Compliance** - With Public Sector Internal Audit Standards (PSIAS)

#### **Questionnaire for Members of the Audit Committee**

- 4 In addition to the above, a separate questionnaire has been sent to each member of the 2018/19 Audit Committee in order to obtain their individual views on the workings of the Committee and their own personal contribution to the work of the Committee.
  
- 5 The responses to the questionnaire to date, can be found in Appendix C. We will keep a record of responses as they are received, including any that come back after the date of compiling this report.

## Next Steps

- 6 In March 2018 CIPFA revised its position statement, in addition to recognising the broadening role of the Audit Committee (in aspects such as counter fraud, culture, and External Audit appointments), they also revised the self-assessment checklist (**Appendix B**). The new assessment takes a step back, and looks more widely at the core functions of the Committee, and seeks examples and evidence to support a more comprehensive output. As the Committee is newly formed for 2019/20, this is something that we would recommend for later in the year, and could be used to inform for ongoing work plan and development programme for the Committee.

## Key Implications

### Financial

This report has no financial implications.

### Legal Implications and Risk Assessment Statement

This report has no additional legal implications.

### Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

### Value for Money and Asset Management

An effective Audit Committee will contribute towards the overall management of the Council and would help to improve good value for money in service provision.

## Conclusions

The self-assessment against CIPFA's **Audit Committees - Practical Guidance for Local Authorities** indicates that the arrangements in place are fully compliant, and that committee has operated effectively over the course for 2018/19.

### **Appendices**

Appendix A - Self-Assessment Checklist & outcomes

Appendix B - Updated Self-assessment Checklist for 2019/20

Appendix C - Questionnaire Response

### **Background Papers:**

CIPFA guide Audit Committees - Practical Guidance for Local Authorities (2018 Edition) - This is a purchased publication, a full copy of the 88 page guidance is available upon request.

**Adrian Rowbotham**  
Chief Finance Officer