

Audit and Standards Committee – 12 March 2018

Review of the Effectiveness of the Audit & Standards Committee

Recommendations

1. To receive and consider the self-assessment results following the review of the effectiveness of the Audit & Standards Committee against recommended practice contained within CIPFA's Publication – Practical Guidance for Local Authorities and Police 2013 Edition.
2. To perform a further self-assessment exercise in March 2019 and to ensure that the actions identified from the 2018 workshop have been implemented.

Report of the Director of Finance & Resources

Background Information

- 3 CIPFA's Publication - Practical Guidance for Local Authorities and Police 2013 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The guidance incorporates CIPFA's 2013 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an audit committee.
4. Audit committees are a key component of an authority's governance framework and provide an independent and high level resource to support good governance and strong public financial management.
5. 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. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
6. As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where they operate effectively, audit committees can add value by supporting improvement across a range of objectives including:-
 - promoting the principle of good governance and their application to decision making;
 - contributing to the development of an effective control environment;

- supporting the establishment of arrangements for the governance and the management of risk;
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- supporting the quality of the internal audit activity;
- supporting the development of robust arrangements for ensuring value for money; and
- helping the authority to implement the values of ethical governance including effective arrangements for countering risks of fraud and corruption.

Self-Assessment of Good Practice

7. An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on the authority's business. However, as audit committees are an advisory body, it can be more difficult to identify how audit committees have made a difference.
8. CIPFA states that a good standard of performance against recommended practice together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness. To this effect, CIPFA has provided a high level review checklist that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police as well the 2013 CIPFA publication which can be used to undertake a regular self-assessment to support the planning of the audit committee work programme and training plans.
9. Members of the Audit & Standards Committee attended a workshop on the 12 February 2018 to consider the key requirements of the CIPFA checklists. **Appendix 1**, attached to this report, sets out the draft evaluation results of the self-assessment of the audit committee's current practice against the recommended practice contained within CIPFA's publication. The actions arising from this self-assessment are included within Appendix 1.

Evaluation of the Effectiveness of the Audit Committee

10. The CIPFA publication also includes an assessment tool to help audit committee members consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements.
11. **Appendix 2** attached to this report sets out the draft evaluation of the effectiveness of the audit committee. The actions arising from this self-assessment are included within Appendix 2.
12. The key actions highlighted related to the requirement for a detailed review of the terms of reference for the Audit & Standards Committee to be performed to ensure that they included the role of the Committee in relation to Counter Fraud & Corruption. In addition oversight of the risk management arrangements is to be strengthened. A detailed briefing regarding the risk

management process will be included on a future agenda of the Committee. The exercise would be conducted annually and progress on implementing the action agreed would be reported to future meetings of the Audit & Standards Committee.

Equalities and Legal and Climate Change Implications

13. There are no specific Equalities, Legal or Climate Change implications presented by this report.

Resource and Value for Money Implications

14. There are no specific Resource or Value for Money implications presented by this report.

Risk Implications

15. There are no specific Risk implications presented by this report.

Health Impact Assessment

16. There are no specific Health Impact Assessment implications presented by this report.

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List of Background Documents:

CIPFA – Practical Guidance for Local Authorities and Police 2013 Edition.
