
AUDIT COMMITTEE SELF-ASSESSMENT

1 SUMMARY

- 1.1 The role of the Audit Committee has been reviewed by CIPFA (Chartered Institute of Public Finance & Accountancy) who have produced a 'Practical Guidance for Local Authorities on the role of the Audit Committee' and a detailed toolkit, which includes an extensive self-assessment checklist.
- 1.2 The self-assessment process helps define the understanding of the Audit Committee's role and assesses the effectiveness of the Committee's work in contributing to good governance arrangements.
- 1.3 Recommended good practice is to complete the self-assessment determining any key areas of non compliance.

2 INTRODUCTION

- 2.1 The Council has operated an Audit Committee for a number of years including times when other authorities have chosen not to. The role of the Audit Committee has always been important and with the expansion of providing assurance across the Council its role has developed and evolved.
- 2.2 CIPFA, recognising the growing importance, has developed a set of principles for audit committees in local government. The principles have been encapsulated in the 'Position Statement on Audit Committees in Local Government' (see below), which was subject to wide consultation. From these principles an extensive self-assessment questionnaire has evolved which is shown in Appendix 1.

3 THE POSITION STATEMENT

- 3.1 The Position Statement emphasises the importance of Audit Committees being in place in all local authorities.
- 3.2 Audit Committees are a key component of corporate governance. They are a key source of assurance for the organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.
- 3.3 CIPFA recommends that a local authority formally approves a Statement of Purpose:-
- 3.4 *"The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process".*

4 CORE FUNCTIONS

The role of the Audit Committee is to follow a number of core functions. The key principals of these functions are as follows:

4.1 The Audit Committee will

- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Approve (but not direct) Internal Audit's strategic plan and monitor performance.
- Review a summary of internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the Annual Report of the Head of Internal Audit.
- Consider the reports of external audit and inspection agencies.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

4.2 Good Audit Committees will be characterised by

- A strong chair – displaying a depth of skills and interest with independence from the Executive Board.
- Treating all relevant parties equally
- Be able to challenge The Executive, Leader, and Chief Executive when required
- A membership that is balanced, objective, independent of mind, and knowledgeable.

4.3 Structure and Administration of an Audit Committee

Although no single model of audit committee is prescribed, all should:-

- Be independent of the executive and scrutiny functions.
- Have clear reporting lines and rights of access to other committees.
- Meet regularly - about four times a year.
- Meet privately and separately with the External Auditor and Head of Internal Audit.
- Include, as regular attendees, the Chief Finance Officer or deputy, Head of Internal Audit and appointed External Auditor and Relationship Manager.
- Be properly trained to fulfil their role.

5 Self-Assessment Questionnaire

- 5.1 Members will recognise the core functions above as they receive regular reports on the areas identified.
- 5.2 The completion of the detailed questionnaire mentioned above is the opportunity to evidence the compliance of the Audit Committee's work to the recommended best practice.
- 5.3 The Internal Audit Manager discussed the assessment with the Chairman of the Audit Committee and agreed with the general approach and concurred with the need to update it annually. Consideration was also given to introducing compulsory training for Members of the Audit Committee.
- 5.4 CIPFA produced the questionnaire as part of the detailed Toolkit for Local Authorities Audit Committees to complete. The Internal Audit section has completed this assessment to the best of their knowledge and understanding of how the Audit Committee works. The results are included on the questionnaire attached within Appendix 1 of this report.
- 5.5 It is not a legal requirement to complete the self-assessment but recommended best practice. Where a 'no' has been crossed indicating non-compliance consideration should be given to whether or not these requirements need to be considered further. A number of areas also have partial compliance, this level of coverage maybe considered appropriate for this Council.
- 5.6 The results include an action point where necessary for Members consideration.

6 RISK IMPLICATIONS

- 6.1 The self-assessment is not a statutory requirement but there is a risk with regard to not completing it in relation to our Use of Resources score which sees compliance with this questionnaire as helping the overall score to a higher level.

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**
- (1) That the Position Statement detailed at paragraph 3.4 above be agreed.
 - (2) That the self-assessment information and any actions arising from it be agreed.
 - (3) That the need to make Audit Committee training compulsory be considered.

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Background Papers:-

None.

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APPENDIX 1

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
ESTABLISHMENT, OPERATION AND DUTIES					P = PARTIAL
ROLE AND REMIT					
1	Does the Audit Committee have written terms of reference?	✓			Detailed on CMIS (Public Documents)
1	Do the terms of reference cover the core functions of an Audit Committee as identified in the CIPFA guidance?	✓			Along CIPFA lines but substantially shorter
1	Are the terms of reference approved by the council and reviewed periodically?	✓			Full Council constitutes all Committee terms of reference and terms of reference for all Committees are approved each year at Annual Council.
1	Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓			
1	Can the Audit Committee access other committees and full council as necessary?	✓			
1	Does the authority's Annual Governance Statement include a description of the Audit Committee's establishment and activities?		X		No specific reference as stated. Action: A section can be added to 2010/11 AGS

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Does the Audit Committee periodically assess its own effectiveness?		X		No formal process prior to 2008/09. Action: Report to September 2009 Audit Committee
2	Does the Audit Committee make a formal annual report on its work and performance during the year to full council?	P			Not within its terms of reference. Council receives the Minutes of Audit Committee meetings and any reports it may wish to make. Action: Section can be incorporated within the Audit Managers annual report (April 2010)
MEMBERSHIP, INDUCTION AND TRAINING					
1	Has the membership of the Audit Committee been formally agreed and a quorum set?	✓			<ul style="list-style-type: none"> • Membership formally agreed by Council • 25% of Members = 3 Members
1	Is the Chair independent of the executive function?	✓			
1	Has the Audit Committee Chair previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	✓			<p>Previous knowledge not a precursor to appointment. All Council Members have an opportunity to attend training sessions covering a number of areas.</p> <p>Member training was provided on 9th July 2009 by PKF.</p>

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Are new Audit Committee members provided with an appropriate induction?	P			<p>All new Council Members have an opportunity to attend training sessions covering a number of areas. External Audit provides training on the role of the Audit Committee. Provided 9th July 2009.</p> <p>Action: Consider Members views</p>
1	Have all members' skills and experiences been assessed and training given for identified gaps?	P			<p>Currently all Members are sent self-evaluation forms to complete in which they identify any training they feel would be of benefit. These are taken into account when drafting the proposed Member training programme for the year. RDC has committed to achieving the East of England Charter for Elected Member Development. One of the Charter's objectives is to adopt a Member-led strategic approach to development.</p> <p>Action: Review following achievement of East of England Charter for Elected Member Development.</p>
1	Has each member declared his or her business interests?	✓			Committee section maintains a record.

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
2	Are members sufficiently independent of the other key committees of the council?	P			<ul style="list-style-type: none"> 1 member is a member of Executive Board (reduced from 2 to 1) 4 members are also members of the Review Committee Action: Consider Membership at committee review time. (April 2010)
MEETINGS					
1	Does the Audit Committee meet regularly?	✓			5 scheduled sittings June 2009 to April 2010 inclusive
1	Do the terms of reference set out the frequency of meetings?		X		Meetings are scheduled prior to commencement of Municipal Year. There are normally 4 – 5 meetings scheduled. Action: Include within the terms of reference.
1	Does the Audit Committee calendar meet the authority's business needs, governance needs and the financial calendar?	✓			Reporting is structured to meet legislative timetabling
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	✓			Member's attendance to meetings & training sessions is monitored by the Committee Team and reported annually.
1	Are meetings free and open without political influences being displayed?	✓			

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Does the authority's S151 officer or deputy attend all meetings?	✓			Recorded on Minutes
1	Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?	✓			If required
INTERNAL CONTROL					
1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of Internal Audit?	✓			Report made to Committee annually for consideration and approval Internal Audit Review and Annual Report placed before Committee 18/3/08 for 2007/08. 29/4/09 for 2008/09.
1	Does the Audit Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	✓			Annual Governance Statement placed before Committee for consideration and approval 10/6/09.
1	Does the Audit Committee consider how meaningful the AGS is?	✓			

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	✓			<ul style="list-style-type: none"> • Completed Audit Project Reports are placed before Committee at each sitting • An Audit Progress Report is made at mid-year point • Periodic Reports on areas such as Risk Management, Data Quality are presented to Committee for consideration
1	Has the Audit Committee considered how it integrates with other committees that may have responsibility for risk management?	P			<p>Not specifically. It is one of the Audit Committee’s functions to review the adequacy of risk management arrangements and this will be across the services.</p> <p>Action: Review Sept 2010</p>
1	Has the Audit Committee (with delegated responsibility) or the full council adopted “Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?”	P			<p>The Audit Committee approves the Anti-fraud & Corruption Policy. With very few occurrences of fraud it is difficult to assess the effectiveness of the policy.</p> <p>Action: Review Sept 2010</p>
1	Does the Audit Committee ensure that the “Actions to Counter Fraud and Corruption” are being implemented?	P			<p>The Anti-fraud & Corruption Policy includes the reporting of concerns with the appropriate follow-up action.</p> <p>Action: Review Sept 2010</p>

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
2	Is the Audit Committee made aware of the role of risk management in the preparation of the Internal Audit plan?	✓			<ul style="list-style-type: none"> • Detailed in Annual Audit Plan • Periodic Reports on areas such as Risk Management, Data Quality are presented to Committee for consideration
2	Does the Audit Committee review the authority's strategic risk register at least annually?	✓			Reported to Committee 10/6/09
2	Does the Audit Committee monitor how the authority assesses its risk?	✓			Periodic Reports. Last Report 4/12/08. Next report 30/9/09.
2	Do the Audit Committee's terms of reference include oversight of the risk management process?	✓			
FINANCIAL REPORTING & REGULATORY MATTERS					
Action: All the financial reporting areas will be reviewed by Yvonne Woodward by April 2010.					

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Is the Audit Committee's role in the consideration and/or approval of the annual accounts clearly defined?	P			<p>Not within the TOR.</p> <p>Accounts are produced for full Council in June annually.</p> <p>Final Accounts are presented by HFAPM and Committee has responsibility for matters arising from the External Auditor, which would include Final Account audits.</p> <p>Audit Committee receive a report on budget variances greater then £5k before final accounts. 10/6/09 last report</p> <p>The Audit Committee receives the External Auditors' Letter To Those Charged With Governance, consider findings of the audit of the accounts and monitor progress of implementing any recommendations made by the External Auditors.</p> <p>The Audit Committee approves changes to accounts arising from the Audit under delegated authority from Council that has been in place for the last two years.</p>
1	Does the Audit Committee consider specifically:				<p><i>NB. Council operates a Review Committee that oversees roles of other Committees</i></p>

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
	<ul style="list-style-type: none"> • the suitability of accounting policies and treatments 		X		The Council follows SORP guidelines. Changes would be addressed in the final accounts process at Council. Not specifically an Audit Committee function.
	<ul style="list-style-type: none"> • major judgements made 		X		As above
	<ul style="list-style-type: none"> • large write-offs 		X		<p>Write-off procedures are included in Financial Regulations with specific authorisation procedures, including specified Member involvement at designated values.</p> <p>Internal Audit review write-off controls in relevant Core audit assignments.</p>
	<ul style="list-style-type: none"> • changes in accounting treatment 		X		The Council follows SORP guidelines. Changes would be addressed in the final accounts process at Council. Not specifically an Audit Committee function.
	<ul style="list-style-type: none"> • the reasonableness of accounting estimates 		X		The Council follows SORP guidelines. Changes would be addressed in the final accounts process at Council. Not specifically an Audit Committee function.

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
	<ul style="list-style-type: none"> the narrative aspects of reporting? 		X		The Council follows SORP guidelines. Changes would be addressed in the final accounts process at Council. Not specifically an Audit Committee function.
1	Is an Audit Committee meeting scheduled to receive the External Auditor's Report to Those Charged With Governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	✓			<p>Relevant External Audit Reports are presented to Committee on scheduled dates. External Audit is aware of scheduled dates. Last reported 30/9/08.</p> <p>The External Auditor Report for 2008/09 is due to be presented to the Audit Committee on 30/9/09.</p>
1	Does the Audit Committee review management's letter of representation?	✓			PKF management letter presented to Audit Committee
2	Does the Audit Committee annually review the accounting policies of the authority?	P			The Council follows SORP guidelines. Changes would be addressed in the final accounts process at Council. Not specifically an Audit Committee function.
2	Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts?	P			The Council follows SORP guidelines. Changes would be addressed in the final accounts process at Council. Not specifically an Audit Committee function.

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
2	Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	✓			There would be an expectation that officers come forward to apprise the Committee, as appropriate.
INTERNAL AUDIT					
1	Does the Audit Committee approve, annually and in detail, the Internal Audit strategic and annual plans including consideration of whether the scope of Internal Audit work addresses the authority's significant risks?	✓			<p>The Strategy and Terms of Reference for Internal Audit (STRIA) is reviewed annually and presented to the Committee for consideration and approval. The last approval was on 4/3/09.</p> <p>Annual Audit Plan is considered and approved by Audit Committee. Last Plan was approved 29/4/09.</p>
1	Does Internal Audit have an appropriate reporting line to the Audit Committee?	✓			Detailed within STRIA
1	Does the Audit Committee receive periodic reports from the Internal Audit service including an annual report from the Head of Internal Audit?	✓			<ul style="list-style-type: none"> • Completed Audit Projects are reported at the next scheduled Committee date following completion. • Annual Audit Report was approved by Committee 29/4/09

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Are follow-up audits by Internal Audit monitored by the Audit Committee and does the committee consider the adequacy of implementation of recommendations?	✓			<ul style="list-style-type: none"> • Completed Audit Projects are reported at the scheduled committee date following completion • All outstanding recommendations are reported at each sitting of Committee until implemented or “Not Implemented” supported by basis for decision
1	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?	✓			Regular discussions held in advance of scheduled Audit Committee sitting. There are no other regular meetings
1	Is there appropriate co-operation between the Internal and External Auditors?	✓			Minuted meetings throughout year
1	Does the Audit Committee review the adequacy of Internal Audit staffing and other resources?	✓			Agree the Audit Plan and the resources allocated to it.
1	Has the Audit Committee evaluated whether its Internal Audit service complies with CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom?	✓			Annual review of Effectiveness of Internal Audit. Last report to Committee 29/4/09.

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
2	Is Internal Audit performance measures monitored by the Audit Committee?	✓			All Internal Audit performance indicators are available on Intranet. Audit Plan achievement is reported as part of mid-year and year-end reports. Other measures are not reported to Members
2	Has the Audit Committee considered the information it wishes to receive from Internal Audit?	✓			The audit committee approves the work plan for Internal Audit. The committee has requested additional reports which have been presented to the audit committee (Risks associated with the economic downturn - 10/6/09).
EXTERNAL AUDIT					
1	Do the External Auditors present and discuss their audit plans and strategy with the Audit Committee (recognizing the statutory duties of External Audit)?	✓			Annual Outline Inspection Plan Letter presented to Committee 29/4/09.
1	Does the Audit Committee hold periodic private discussions with the External Auditor?			✓	The Audit Committee could request a private meeting with the External Auditors but to-date this has not occurred.
1	Does the Audit Committee review the External Auditor's annual report to those charged with governance?	✓			Last Report presented to Committee 30/9/08. Due 30/9/09.

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Does the Audit Committee ensure that officers are monitoring action taken to implement External Audit recommendations?	✓			Outstanding External Audit recommendations are reported periodically to Committee until implemented
1	Are reports on the work of External Audit and other inspection agencies presented to the committee, including the Audit Commission's Annual Audit and Inspection Letter?	✓			External Audit work is reported to the Audit Committee in full including their annual audit & inspection letter. Other Inspections <u>may</u> be presented to relevant Committees and in that case all Members would receive a copy of the report.
1	Does the Audit Committee assess the performance of External Audit?	✓			External Audit report into the Audit Committee all areas of their work applicable to RDC & Members are able to question any areas of that work.
1	Does the Audit Committee consider and approve the External Audit fee?	✓			Fee is discussed at Audit Committee. Fee is subject to strict guidelines from the Audit Commission.
ADMINISTRATION					
AGENDA MANAGEMENT					
1	Does the Audit Committee have a designated secretary from Committee/Member Services?	✓			

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?	✓			In line with standard RDC procedures. Circulation of reports is to all Members, not just those on Audit Committee
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓			Meetings scheduled to meet regulatory timetables, AGS, Final accounts etc.
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and External Audit?			✓	Do not have any other business on the Audit Committee agenda. Items for discussion are including within the agenda as a specific report/item.
PAPERS					
1	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓			In line with established RDC procedures
2	Does the Audit Committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	✓			In line with established RDC procedures
ACTIONS ARISING					
1	Are minutes prepared and circulated promptly to the appropriate people?	✓			

PRIORITY	ISSUE	YES	NO	N/A	COMMENTS / ACTION
1	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	✓			A report would only be presented to the next meeting if it is requested by a Member. Matters arising are minuted.
1	Do action points indicate who is to perform what and by when?	✓			