

AUDIT COMMITTEE

3 December 2013

AUDIT COMMITTEE SELF ASSESSMENT REVIEW 2013

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

A workshop was held on 18 June 2013 to undertake a self-assessment of the effectiveness of the Council's Audit Committee. The workshop was structured around the guidelines published by CIPFA's Better Governance Forum and facilitated by an external consultant.

This report summarises the outcomes from the workshop and an outline improvement plan.

RECOMMENDATIONS:

That the Audit Committee:

1. Notes the CIPFA self-assessment template and conclusion.
2. Approves the improvement responses set out in paragraph 3.1 of this report.

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1 Introduction

- 1.1 An assessment of the effectiveness of the Audit Committee was conducted by an external consultant using a two stage process.
- 1.2 Initially the consultant reviewed the Audit Committee's agenda, reports and minutes, and used this information to independently complete CIPFA's effectiveness self-assessment template. This highlighted some areas on which to focus discussion with Members.
- 1.3 A facilitated workshop was held on 18 June 2013 where Members were able to explore and discuss their views on the effectiveness of the Audit Committee.

2 Self-Assessment Workshop

- 2.1 Discussion in the workshop centred around five key areas:-
- Training (specifically induction to the Audit Committee)
 - The relationship of the Committee with other committees of the Council
 - Committee membership and the possibility of a co-opted member
 - Fraud responsibilities of the Audit Committee
 - Relationship with internal and external audit
- 2.2 Following the workshop, the CIPFA self-assessment template was updated by the external consultant and is appended to this report.

3 Improvement Plan

- 3.1 An improvement plan was drafted using the outcomes of the workshop and self-assessment exercise.

	Improvement proposal	Comments / implementation plan
i	The relationship of the Audit Committee with other committees of the Council could be improved with an annual Audit Committee report to Council.	An annual report is not required as Audit Committee can, if it wishes, raise issues with portfolio holders, Cabinet, The Overview & Scrutiny Committee, or full Council, as necessary. In addition, the chair of Audit Committee meets regularly with the chair of The Overview & Scrutiny Committee.

	Improvement proposal	Comments / implementation plan
ii	Committee member induction and skills training could be improved.	Consider existing training plan and review for wider / further training provision where possible.
iii	Audit Committee membership could be extended to include independent, co-opted members to bring specialist skills and/or continuity.	Review of the membership of the committee will be deferred until the new national framework is implemented.

4 Effectiveness conclusion

- 4.1 The CIPFA guidance represents best practice for a local authority audit committee and the assessment process demonstrated that the Council's current Audit Committee arrangements represent a high standard of compliance against that benchmark.

OTHER CONSIDERATIONS:

5 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

An effective Audit Committee supports the efficient and effective governance of the Council, and is a key contributor to the Council achieving its objectives.

6 RESOURCE IMPLICATIONS:

- 6.1 Continued training for Audit Committee members is necessary and sufficient budget to provide specialist, external facilitators is required to be maintained.

7 RISK MANAGEMENT ISSUES

- 7.1 The effective working of the Audit Committee is a critical component in the corporate governance arrangements of the Council, and plays a key role in the overall risk management arrangements of the Council.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: CIPFA self-assessment document.

Winchester City Council – Assessment of the Effectiveness of the Audit Committee against CIPFA Guidelines – June 2013

1. Establishment, Operation and Duties

No	Priority	Issue	Yes	No	Comments
Role and Remit					
1.1	1	Does the audit committee have written terms of reference?	√		
1.2	1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	√		
1.3	1	Are the terms of reference approved by the council and reviewed periodically?	√		Terms of Reference approved in March 2011 http://www.winchester.gov.uk/search?gsq=cab2132
1.4	1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	√		
1.5	1	Can the audit committee access other committees and full council as necessary?	√		Audit Committee Chair has access to other committees, demonstrated by input in the future of the Internal Audit Partnership which was approved at Cabinet.
1.6	1	Does the council's Annual Governance Statement include a description of the audit committee's establishment and activities?	√		AGS for 2011/12 includes such details of the committee
1.7	1	Does the audit committee periodically assess its own effectiveness?	√		Assessment undertaken by audit committee members at training session held on 18 June 2013.
1.8	1	Does the audit committee make a formal annual report on its work and performance during the year to full council?		√	

No	Priority	Issue	Yes	No	Comments
Membership, Induction and Training					
1.9	1	Has the membership of the audit committee been formally agreed and a quorum set?	√		
1.10	1	Is the chair independent of the executive function?	√		Chair is member of Lib Dem opposition
1.11	1	Has the audit committee chair either previous knowledge of, or received training on financial and risk management, accounting concepts and standards and the regulatory regime?	√		
1.12	1	Are new audit committee members provided with an appropriate induction?		√	In discussion, members identified some areas where they felt further training would be beneficial
1.13	1	Have all members skills and experiences been assessed and training given for identified gaps?		√	In discussion, members identified some areas where they felt further training would be beneficial
1.14	1	Has each member declared his or her business interests?	√		
1.15	2	Are members sufficiently independent of the other key committees of the council?	√		
Meetings					
1.16	1	Does the audit committee meet regularly?	√		
1.17	1	Do the terms of reference set out the frequency of meetings?		√	
1.18	1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	√		Although timing issues with respect to Treasury Management Strategy (presented at both Cabinet and Audit Committee)
1.19	1	Are members attending meetings on a regular basis and, if not, is appropriate action taken?	√		
1.20	1	Are meetings free and open without political influences being displayed?	√		
1.21	1	Does the authority's s151 officer or deputy attend all meetings?	√		Chief Finance Officer (s151 Officer) attends all meetings of Audit Committee (the minutes only show member and not officer attendance).
1.22	1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	√		Evident from presentation of reports as recorded in minutes

2. Internal Control

No	Priority	Issue	Yes	No	Comments
2.1	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 and Audit Regulations) including the review of the effectiveness of internal audit?	√		Included in the committee's terms of reference and evident from minutes
2.2	1	Does the audit committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	√		Included in terms of reference. The 2011/12 AGS considered in draft 26.6.2012 and final version presented for approval 25.9.2012
2.3	1	Does the audit committee consider how meaningful the Annual Governance Statement is?	√		Included in Executive Summary of the covering report that accompanies the AGS
2.4	1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	√		
2.5	1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?		√	
2.6	1	Has the audit committee (with delegated responsibility) or the full council adopted 'Managing the Risk of Fraud – Actions to Counter Fraud and Corruption'?	√		Anti-Fraud & Corruption / Bribery / Whistle-blowing Policies all form part of the constitution http://www.winchester.gov.uk/meetings/constitution/ Training provided to Senior Management Team on the Bribery Policy and Anti-Fraud and Corruption within the previous 12 months.
2.7	1	Does the audit committee ensure that the 'Actions to Counter Fraud and Corruption' are being implemented?		√	
2.8	2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	√		Audit Plan is risk-based
2.9	2	Does the audit committee review the council's strategic risk register at least annually?	√		Annual review undertaken 26.6.2012 and reviewed at meetings during year
2.10	2	Does the audit committee monitor how the authority assesses its risk?	√		
2.11	2	Do the audit committee's terms of reference include oversight of the risk management processes?	√		

3. Financial Reporting and Regulatory Matters

No	Priority	Issue	Yes	No	Comments
3.1	1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	√		Included in Audit Committee's terms of reference.
3.2	1	Does the audit committee consider specifically: The suitability of accounting policies and treatments; Major judgements made; Large write-offs; Changes in accounting treatment; The reasonableness of accounting estimates; The narrative aspects of reporting?	√		Audit Committee report in March 2013 (AUD056) http://www.winchester.gov.uk/meetings/details/1085
3.3	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?	√		Annual Governance Report received at 25.9.2012 meeting. Agenda for that meeting also included item noting adjustments to the accounts.
3.4	1	Does the audit committee review management's letter of representation?	√		2011/12 Letter of Representation reviewed and approved at 25.9.2012 meeting
3.5	2	Does the audit committee annually review the accounting policies of the council?	√		Audit Committee report in March 2013 (AUD056) http://www.winchester.gov.uk/meetings/details/1085
3.6	2	Does the audit committee gain an understanding of management's procedures for preparing the council's annual accounts?	√		It is considered that Members receive an appropriate level of information; however assurances provided by External and Internal Audit on the control environment in which the annual accounts are produced.
3.7	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?	√		Training sessions – e.g. treasury management Updates from officers on issues – e.g. Future of Public Audit

4. Internal Audit

No	Priority	Issue	Yes	No	Comments
4.1	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?	√		2013/14 IA Plan approved at meeting 12.3.2013. Plan prepared within context of three year audit strategy. Planned audits linked to corporate risks.
4.2	1	Does internal audit have an appropriate reporting line to the audit committee?	√		
4.3	1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	√		2011/12 Annual Report presented to 26.6.2012 meeting. Regular progress reports presented during year.
4.4	1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	√		Follow-up audits reported to and considered by committee.
4.5	1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	√		Pre-meetings with Audit Chair, Audit Charter also states that the Internal Audit Manager if required can consult directly on any matters with the Chairman of Audit Committee (see AUD019) http://www.winchester.gov.uk/meetings/details/1003
4.6	1	Is there appropriate co-operation between the internal and external auditors?	√		Internal & External Audit Protocol in place with the Council's previously appointed auditors (Audit Commission), although now out of date.
4.7	1	Does the audit committee review the adequacy of internal audit staffing and other resources?	√		Through consideration of annual and periodic reports
4.8	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 UK?	√		Reviewed 2011. Review against Public Sector IA Standard (in force from 1.4.2013) scheduled for presentation to committee during 2013/14.
4.9	2	Are internal audit performance measures monitored by the audit committee?	√		%age completion of audit plan, productive time, plan/actual time by audit reported to committee
4.10	2	Has the audit committee considered the information it wishes to receive from internal audit?	√		

5. External Audit

No	Priority	Issue	Yes	No	Comments
5.1	1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	√		2011/12 Plan reviewed at 26.6.2012 meeting
5.2	1	Does the audit committee hold periodic private discussions with the external auditor?	√		Private discussion can be held if required. Audit Chair provides own response to the external auditor on specific questions relating to Audit Committee
5.3	1	Does the audit committee review the external auditor's annual report to those charged with governance?	√		2011/12 Annual Governance Report reviewed at 25.9.2012 meeting
5.4	1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	√		Confirmed by Chief Finance Officer that this does take place
5.5	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?	√		
5.6	1	Does the audit committee assess the performance of external audit?	√		No specific report on performance however very evident at meetings that there is challenge by members on the work of External Audit
5.7	1	Does the audit committee consider and approve the external audit fee?	√		Annual audit fee for 2012/13 reported and noted at meeting 26.6.2012

6. Administration

No	Priority	Issue	Yes	No	Comments
Agenda Administration					
6.1	1	Does the audit committee have a designated secretary from Committee/Member Services?	√		Committee serviced by Dave Shaw, Principal Democratic Services Officer
6.2	1	To allow adequate preparation by audit committee members?	√		
6.3	2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	√		No evidence that committee sees an annual programme The Chief Finance Officer (S151 Officer) does develop a list of programmed reports for the year but this is not formally reported and approved by Audit Committee
6.4	2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	√		Agenda does not include an Any Other Business section. Additional reports incorporated into agenda and annual programme as required.
Papers					
6.5	1	Do reports to the audit committee communicate relevant information at the right frequency, time and in a format that is effective?	√		
6.6	2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	√		Standard report format used supported by guidelines to assist those preparing reports for committee.
Actions Arising					
6.7	1	Are minutes prepared and circulated promptly to the appropriate people?	√		
6.8	1	Is a report on matters arising made and minuted at the audit committee's next meeting?	√		
6.9	1	Do action points indicate who is to perform what and by when?	√		