



Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Audit Committee

2 March 2017

WARDS AFFECTED: All Wards

AUDIT COMMITTEE EFFECTIVENESS

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1.1 To enable the Audit Committee to instigate a process for the review of compliance of the current Audit Committee against recognised best practice, as well as a view on the effectiveness of the Committee, as considered appropriate by the Chair of the Committee.
- 1.1.2 Best practice dictates that governance, risk management and strong financial controls are embedded in the daily and regular business of the Council. The existence of the Audit Committee does not remove responsibility from senior managers, Members and the Leader, but provides an opportunity and resource to focus on these issues and if they are operating effectively.
- 1.1.3 In order to support the Committee in performing effectively, this report advises Members of the Chartered Institute of Public Finance & Accounting's (CIPFA) view on the role and functions of an audit committee as detailed in a publication issued in December 2013 entitled Audit Committees: Practical Guidance for Local Authorities

2. RECOMMENDATION

- 2.1 The Audit Committee is asked to note and discuss the guidance in the report and for the Chair of the Audit Committee to organise the completion of a self assessment for the next Audit Committee meeting. The Chair may wish to draw on the views of Internal and External audit, the Head of Finance and the Democratic Services Officer in this initial review.

3. BACKGROUND TO THE REPORT

- 3.1 The Audit Committee was established as part of the review of the Committee structure of the Council to separate its function from the former Finance, Audit and Performance Committee which was a scrutiny based committee having its first meeting on 27 June 2016. This was required to comply with best practice and to differentiate the differing roles of scrutiny and the Audit Committee functions. The

role of a scrutiny committee is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. This is different from the role of the audit committee, which exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the authority, including the scrutiny function, is operating effectively.

- 3.2 This role is central to good corporate governance which, as noted by CIPFA, requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an audit committee, independent from the executive and scrutiny functions. 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. And they enhance public trust and confidence in the financial governance of an authority. CIPFA's summary of what is expected from an Audit Committee is given in the table below.

Audit committees will:	
a)	Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
b)	Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
c)	Be satisfied that the authority's assurance statements, including Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
d)	Approve (but not direct) internal audit's strategy, plan and monitor performance.
e)	Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
f)	Receive the annual report of the head of internal audit.
g)	Consider the reports of external audit and inspection agencies.
h)	Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
i)	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.
Good audit committees will be characterised by:	
1)	A strong chair – displaying a depth of skills and interest.
2)	Unbiased attitudes – treating auditors, the executive and management equally.
3)	The ability to challenge the executive, leader, chief executive, mayor or whatever combination is in place when required.
4)	A membership that is balanced, objective, independent of mind, and knowledgeable

- 3.3 In order to assess the Audit Committee's progress in meeting these requirements, it is good practice to do an annual self assessment, which form part of the communication between the Committee and Full Council. Appendix 1 has an example of a self assessment checklist. Both our internal and external auditors can provide a more detailed self assessment checklist if desired.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 This report can be taken in open session
5. FINANCIAL IMPLICATIONS [AW]
- 5.1 None
6. LEGAL IMPLICATIONS [AR]
- 6.1 There are no direct legal implications arising from this report.
7. CORPORATE PLAN IMPLICATIONS
- 7.1 An effective Audit Committee is required to ensure that resources are effectively managed and controlled in order to ensure delivery of all of the aims, outcomes and targets included in the Council's Corporate Plan.
8. CONSULTATION
- 8.1 Consultation with democratic service and our internal and external audit providers has been carried out in preparing this report.
9. RISK IMPLICATIONS
- 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 There is no immediate risk to the Council.
10. CORPORATE IMPLICATIONS
- 11.1 By submitting this report, the report author has taken the following into account:
- Community Safety implications
 - Environmental implications
 - ICT implications
 - Asset Management implications
 - Procurement implications
 - Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary Sector

Background papers: None
Contact Officer: Ashley Wilson
Executive Member: Cllr M Hall.

Appendix 1: Audit Committee- Self Assessment (Base on CIPFA's checklist).

Terms of Reference	YES	NO	N/A	Supporting Comment
Have the committee's terms of reference been approved by full Council?				
Do the terms of reference follow the CIPFA model?				
Does the Committee have formal and clear delegated responsibility for responsibilities that are within its remit e.g. agreeing changes to the Councils Constitution and regulatory framework or approving the financial Statements?				
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme?				
Is the work of internal audit reviewed regularly?				
Are summaries of quality questionnaires from managers, reviewed?				
Is the annual report, from the head of audit, presented to the committee?				
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?				
Does the committee input into the external audit programme?				
Does the committee ensure that officers are acting and monitoring action taken to implement recommendations?				
Does the committee take a role in overseeing				
<ul style="list-style-type: none"> • risk management strategies, 				
<ul style="list-style-type: none"> • internal control statements, 				
<ul style="list-style-type: none"> • anti fraud arrangements, and 				
<ul style="list-style-type: none"> • whistle blowing 				

strategies?				
Anti Fraud				
Does the committee have oversight of management's processes in relation to:				
<ul style="list-style-type: none"> undertaking an assessment of the risk that the financial statements may be materially mis- stated due to fraud; 				
<ul style="list-style-type: none"> identifying and responding to risks of fraud in the organisation; 				
<ul style="list-style-type: none"> communication to employees of views on business practice and ethical behaviour; 				
<ul style="list-style-type: none"> communication to those charged with governance the processes for identifying and responding to fraud; and 				
<ul style="list-style-type: none"> how staff are encouraged to report any concerns about fraud. 				
Does the committee oversee management processes to identify and respond to the risk of fraud and possible breaches of internal control?				
Does the committee have knowledge of actual, suspected or alleged frauds?				
Does the committee get assurance that all relevant laws and regulations have been complied with				
Regulatory Responsibility				
Does the Committee ensure that regulatory procedures are effective and properly discharged?				
Does the Committee receive reports on breaches or challenges to regulatory				

matters?				
Does the Committee exercise its duty in reviewing, approving and revoking licences as appropriate?				
Membership				
Has the membership of the committee been formally agreed and a quorum set?				
Is the chair free of executive or scrutiny functions?				
Are members sufficiently independent of the other key committees of the council?				
Have all members' skills and experiences been assessed and training given for identified gaps?				
Can the committee access other committees as necessary?				
Meetings				
Does the committee meet regularly?				
Is a separate meeting held with the external auditor and the internal auditor?				
Are meetings free and open without political influences being displayed?				
Are decisions reached promptly?				
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?				
Does the committee have the benefit of attendance of appropriate officers at its meetings?				
Training				
Is induction training provided to members?				
Is more advanced training available as required?				
Administration				
Does the authority's S151 officer or deputy attend all meetings?				
Are the key officers available				

to support the committee?				
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