

EFFECTIVENESS OF AUDIT COMMITTEE 2013/14

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides a review of the work of the Audit and Governance Committee against the core functions of an audit committee as defined within the CIPFA Position Statement on Audit Committees 2013.
- 1.2 The Council is required under the 2012 Addendum to Delivering Good Governance, to evidence within its Annual Governance Statement that arrangements are in place for undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities. The CIPFA guidance referred to has now been superseded by the 2013 publication Audit Committees – Practical guidance for Local Authorities and Police. It is against this 2013 guidance that the Audit and Governance Committee has been assessed.
- 1.3 An analysis of how the Committee matches the core functions of an Audit Committee as set out in CIPFA Position Statement on Audit Committees 2013 is included in Appendix 1.
- 1.4 The guidance also refers to possible wider functions of an audit committee and one of these relates to ethical values. Under the Localism Act 2011, local authorities have a statutory duty to promote and maintain high standards of conduct. Copeland has chosen to transfer the responsibility for looking at ethical governance matters to the Audit and Governance Committee following the cessation of the previous Standards Committee.
- 1.5 The CIPFA Guidance includes a self-assessment questionnaire to further evaluate the effectiveness of the Audit and Governance Committee. This evaluation will be undertaken following the training on the Guidance scheduled for the 25 September 2014 meeting.

2.0 RECOMMENDATION

- 2.1 Members are asked to:
 - a) Agree the report and confirm the assessment of the effectiveness of the Committee in delivering the core functions of an audit committee per the 2013 CIPFA Guidance as set out at Appendix 1; and
 - b) Approve a further review of Audit and Governance Committee Effectiveness against the checklist contained within the CIPFA Guidance following the training on the new guidance to be delivered in September.

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3.0 BACKGROUND

- 3.1 The Audit and Governance Committee has pursued its work programme throughout 2013/14, building on its activities in recent years.
- 3.2 The Committee has continued to take a keen interest in the arrangements for effective risk management. The strategic risk register has continued to be a significant item on the committee's agendas and assurances sought that adequate arrangements are in place to mitigate key risks.
- 3.3 The Committee has continued to receive regular progress reports on the work of Internal Audit and has sought assurances that audit recommendations have been implemented on a timely basis. The Committee has also been briefed on the requirements of the new Public Sector Internal Audit Standards (PSIAS) which were introduced from 1st April 2013, together with the work undertaken internally to bring the service in line with the PSIAS.
- 3.4 The Committee has approved the internal audit charter, a key document required by the PSIAS, which sets out the purpose, authority and responsibility of Internal Audit and ensures its independence.
- 3.5 Audit & Governance Committee continues to receive reports and presentations from the Council's senior management on areas where there are links with risk, governance and internal control matters. Reports have included:
- Arrangements for securing financial resilience (September 2013)
 - Information Security & Management (November 2013)
- 3.6 The Committee also received reports from external inspectorates where there are links to governance, risk and internal control matters, for example Grant Thornton, as external auditors.
- 3.7 The Committee also continues to consider and approve the Annual Governance Statement and receives updates at each meeting on governance issues from the Monitoring Officer.
- 3.8 The Committee has responsibility for approving the annual Statement of Accounts, and annual training is provided by officers to assist in this significant responsibility.
- 3.9 Against the CIPFA core purpose statements for audit committees, the Committee compares well. The Committee has continued to hold separate private meetings with external audit before each Committee meeting and the Chair has met regularly with the S.151 Officer, Monitoring Officer and Audit Manager to discuss agendas and papers.
- 3.10 The Committee tracks its recommendations and actions to ensure that issues are pursued with the Committee calling for further reports and updates as appropriate.

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Michael Bonner
Chair - Audit and Governance Committee
June 2014

APPENDICES

Appendix 1 How the Audit & Assurance Committee compares against the core functions of an Audit Committee as defined within the CIPFA Position Statement 2013.

Appendix 1 – Assessment of Audit and Assurance Committee Effectiveness against the core functions of an audit committee (CIPFA Guidance 2013)

Core functions of an audit committee	Y	P	N	Examples
<p>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, and demonstrate how governance supports the achievement of the authority’s objectives</p>	✓			<p>Audit & Governance Committee review and approve the draft Annual Governance Statement prior to sign off by the Leader and the Chief Executive.</p> <p>The Committee ensures that the significant governance issues identified within the AGS reflect their knowledge of the Council and that a robust action plan is in place to address the issues identified.</p> <p>The Committee also oversees risk management arrangements and ensures that risks are properly reflected within the strategic risk register.</p>
<p>In relation to the authority’s internal audit functions:</p> <p>Oversee its independence, objectivity, performance and professionalism</p> <p>Support the effectiveness of the internal audit process</p> <p>Promote the effective use of internal audit within the assurance framework</p>	✓			<p>Audit & Governance Committee has approved the internal audit charter which sets out the arrangements in place to ensure internal audit independence is maintained.</p> <p>The Committee approves the annual internal audit plan and receives regular progress reports from the Audit Manager and seeks its own assurances on the quality and robustness of the work undertaken as well as on the adequacy of the management responses to internal audit recommendations.</p> <p>The Chair and Vice Chair have access to the Audit Manager and the opportunity for private meetings with the Committee and the Audit Manager, if required.</p>
<p>Consider the effectiveness of the authority’s risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.</p>	✓			<p>Audit & Governance Committee approves the Risk Management Policy and Strategy and receives quarterly updates on the strategic risk register and seeks assurances that risks are being effectively identified, assessed and controlled.</p>

Appendix 1 – Assessment of Audit and Assurance Committee Effectiveness against the core functions of an audit committee (CIPFA Guidance 2013)

<p>Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to risks of fraud and corruption.</p>		✓	<p>Audit & Governance Committee receive reports from external and internal audit which provide assurances on the arrangements in place for ensuring value for money and for managing the authority's exposure to fraud and corruption.</p> <p>The S.151 Officer has reported on fraud investigations carried out during 2013/14. Where specific frauds or irregularities are identified, Audit & Governance Committee is briefed accordingly.</p> <p>The Committee approved the Council's Anti Money Laundering Policy in June 2013 and received an annual report in April 2014 from the S.151 Officer on fraud investigations in 2013/14.</p> <p>There is a need to review the Council's counter fraud policy and anti-bribery policy.</p>
<p>Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management and internal control.</p>	✓		<p>Committee receives regular reports from external audit as well as reports from other inspectorates as appropriate.</p>
<p>Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies and encourage the active promotion of the value of the audit process.</p>	✓		<p>Committee receives assurances that internal audit and external audit have effective dialogue in place to share information as appropriate.</p>
<p>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.</p>	✓		<p>Committee receives annual training on the Statement of Accounts in order to assist them with their responsibility to review and approve the Council's accounts.</p> <p>The Committee receives the external auditors reports and opinion on the accounts and their value for money judgement and seeks assurances on these as appropriate.</p>