

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24th July 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

Audit Committee, self-assessment against good practice

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To report to the Audit Committee the findings of the self-assessment against good practice undertaken at the end of 2018/19.

2. Recommendations

- 2.1 **The Audit Committee notes the results of the self-assessment against good practice undertaken at the end of 2018/19 and approves the proposed actions set out in Appendix 2.**

3. Self-assessment against good practice

- 3.1 A local authority has a duty to ensure that it fulfils its responsibility for adequate and effective risk management, internal control and governance and for the economy, efficiency and effectiveness of its activities. The Council's Audit Committee has a key role in overseeing and assessing the risk management, internal control and corporate governance arrangements, and for advising the full Council on the adequacy and effectiveness of these arrangements.
- 3.2 In its publication Audit Committees: Practical Guidance for Local Authorities and Police, the Chartered Institute of Public Finance and Accountancy (CIPFA) sets out a range of suggestions and comments about the operation of an audit committee. Some of the items are considered best practice and some are suggestions on other ways of delivering the function.
- 3.3 The document includes a checklist of areas that are considered best practice and recommends that the operation of the Committee should be reviewed against this checklist to identify areas for improvement within existing arrangements. Expectations are set out to cover the following themes:
- Purpose and governance
 - Functions
 - Membership and support
 - Effectiveness of the Committee

4. How the Audit Committee operates

- 4.1 The Audit Committee is well established, with the Committee's Terms of Reference reviewed periodically as part of refreshing the Constitution.
- 4.2 Membership is reviewed annually. In 2018/19, it consisted of nine members with one co-opted member, who has relevant specific financial and audit experience in local government. The Terms of Reference require that at least one member should have financial expertise.
- 4.3 Members have received some training during the year to support them with an enhanced understanding of how to discharge their duties.
- 4.4 The Terms of Reference specify that the committee will meet four times per year, although further meetings can be arranged on an ad hoc basis as the Audit Committee deems appropriate. Four meetings were held within the last financial year, with the July meeting timed to consider the Council's assurance statements, financial statements and any issues raised by the external auditor, to meet the statutory publication deadline.
- 4.5 In order for the Committee to operate effectively it requests reports to be presented to it by officers and auditors regarding activities that fall within its remit.
- 4.6 The Strategic Director (Finance and Resources), Internal Audit and External Audit regularly attend at the Committee's request. Other officers attend as necessary to present specific reports.
- 4.7 In discharging its duties, the Committee meets its responsibilities through self-assessment and review, requesting assurances from officers and receiving reports from the auditors and other officers.
- 4.8 The Audit Committee completed an annual self-assessment this year (see the findings at **Appendix 1**). This demonstrated that the Audit Committee has operated in line with recommended good practice guidance, although there are the following issues arising from this exercise:
 - Clarity of understanding about the role and purpose of the audit committee across the council
 - Clarity about the arrangements to hold the committee to account for its performance
 - Clarity about whether an annual evaluation is undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas
 - Clarity about whether the audit committee has considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them
 - Clarity about coverage of core areas and where this has been found to be limited, the plans in place to address this
 - Undertaking an assessment of membership of the committee against the core knowledge and skills framework

- The committee obtaining feedback on its performance from those interacting with the committee or relying on its work
- The committee evaluating whether and how it is adding value to the organisation, having an action plan in place to address weaknesses and publishing an annual report to account for its performance and explain its work.

4.9 From these findings an overall assessment against the good practice requirements has been prepared (see the results at **Appendix 2**). This suggests a number of actions that could be undertaken to enhance the current arrangements of the Audit Committee, enabling it to discharge its responsibilities as effectively as possible, meeting best practice expectations.

5. Reasons for Recommendations

5.1 Enabling the Audit Committee to effectively discharge its responsibilities, as per the Terms of Reference, in the most effective way possible to achieve best practice, will assist the Audit Committee with obtaining the necessary assurances and being able to provide assurance to Full Council, including that the Annual Governance Statement appropriately reflects the conditions at the Council.

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

The Audit Committee's work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.

6.2 Financial Implications

The Audit Committee's work is delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

6.3 Legal Implications

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery.

6.4 People Implications

People issues that are relevant to the Audit Committee are considered as part of the review.

6.5 Property implications

None.

6.6 Consultation

The results of the Audit Committee self-assessment have been discussed with the Chair and Vice-Chair of the Committee and the Strategic Director (Finance and Resources).

6.7 Equalities and Diversity Implications

None.

6.8 Risk Assessment

Failure to operate a robust assurance process (underpinned by an effective Audit Committee) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver its corporate aims and priorities.

6.9 Value for Money

Opportunities to improve value for money in the delivery of services are sometimes identified by the Audit Committee and recommendations made as appropriate.

6.10 Community Safety Implications

None.

6.11 Environmental Impact

None.

7. Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police 2018

8. Appendices

Appendix 1 Results of Audit Committee self-assessment questionnaires

Appendix 2 Audit Committee self-assessment analysis