

AGENDA MANAGEMENT SHEET

Name of Committee

Audit and Standards Committee

Date of Committee

25 September 2007

Report Title

Cipfa Audit Committee Toolkit

Summary

This report summarises compliance with the latest Cipfa guidance on the operation of audit committees.

For further information please contact:

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Would the recommended decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]

No.

Background papers

None

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s) Not applicable.....
- Other Elected Members
- Cabinet Member Cllr. Fowler
- Chief Executive
- Legal Sarah Duxbury.
- Finance Dave Clarke
- Other Chief Officers
- District Councils
- Health Authority
- Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Audit and Standards Committee – 25 September 2007

Cipfa Audit Committee Toolkit

Report of the Strategic Director of Performance and Development

Recommendation

That the Committee considers the audit committee guidance issued by Cipfa and determines what further action might be required to ensure compliance.

- 1 During 2006/7 Cipfa produced detailed guidance on the operation of audit committees in local government. The toolkit is intended to provide a detailed set of advice, give examples and suggest good practice to assist both officers and members who are involved in the establishment and operation of an audit committee. The toolkit draws on existing best practice from local government, and the wider public sector. A full copy of this guidance will be placed on the intranet for those members who wish to have access to it.
- 2 Although there is no specific statutory requirement, best professional practice is to establish an audit committee. This is reinforced by the Comprehensive Performance Assessment which requires, for level 4, that:
“An audit committee has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA’s guidance. It provides effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.”
- 3 The toolkit includes a detailed checklist that audit committees can use to assess their effectiveness and determine improvement activities. It is therefore anticipated that CPA inspectors will expect the committee to have considered the checklist and specifically to address those areas on which they have chosen to focus. As the Committee is an integral part of the system of internal audit this exercise contributes to the overall review of effectiveness of internal audit required by the Accounts and Audit Regulations 2003 (as amended).

- 4 The self assessment questions fall into three categories. Many of the questions are factual (e.g. whether a terms of reference exist) and on the majority of these the committee compares very favourably with good practice. There are some questions however, which are more subjective in nature and where it would be appropriate for the committee to have a debate on the issue (e.g. adequacy of induction arrangements for new members of the Committee).
- 5 Officers have reviewed the checklist and it is suggested that those questions which members should focus on are as follows:

1	Does the audit committee periodically assess its own effectiveness?
2	Are new audit committee members provided with an appropriate induction?
3	Does the audit committee monitor how the authority assesses its risk?
4	Does the audit committee review the authority's strategic risk register at least annually?
5	Does the audit committee consider the arrangements for whistleblowing?
6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?
7	Does the audit committee consider specifically: <ul style="list-style-type: none"> • 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?
8	Does the audit committee annually review the accounting policies of the authority?
9	Does the audit committee assess the performance of external audit?

- 6 The Committee is asked to consider the areas highlighted from the checklist and debate what development is needed to further improve the effectiveness of the Committee.

DAVID CARTER
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Development

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23 August 2007