

Audit Committee - 13 October 2008

Audit Committee Self-Assessment

Summary of report

In undertaking its review of effectiveness of the system of internal audit and internal control and in preparing the annual governance statement (AGS) for 2008/09, Audit Committee is due to undertake a self-assessment in order to measure its own effectiveness and identify any action (including training requirements) arising.

Recommendations:

1. To note the findings from the 2007/8 review of effectiveness of the system of internal audit and control in relation to the Audit Committee at **Appendix 1** as reported in June 2008 and consider these in undertaking their self-assessment.
2. To receive, consider and complete the self-assessment checklist attached at **Appendix 2** and identify any actions arising.



James T Walsh – Chief Financial Officer

1 October 2008

Background

The Authority is responsible for ensuring that the financial management of the council is adequate and effective and that it has a sound system of governance, including internal control and financial control, and internal audit which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Audit Committee has a key role in ensuring an effective system of governance and itself is part of the audit system. It is good practice for Audit Committees to undertake a self-assessment to measure their effectiveness and this will assist the assurance gathering process in producing the 2008/9 annual governance statement and facilitating its sign off.

Resource and Legal Considerations

There are no direct financial or legal implications. The assessment itself will add to the assurance process in producing the annual governance statement, and ensure compliance with the 2006 amendments to the Accounts & Audit Regulations 2003. The regulations require the authority in producing AGS to consider the findings of the review of the system of internal control, and to review the effectiveness of the system of internal audit:

Risk Management

Audit Committee receives regular reports on risk management and oversees the framework. Audit Committee undertook a risk management workshop on 3 September to identify its own risks and this will form part of the self-assessment process. A further more detailed report on the outcomes from the workshop will be presented to the next meeting of the committee in December.

Equality implications

None relating directly to this report.

Consultation

The report is prepared in consultation with the Chief Finance Officer (CFO) and the Chief Internal Auditor.

Background Papers

Audit Committees: Practical Guidance for Local Authorities: CIPFA
Audit and Accounts Regulations 2003, amended 2006.

CIPFA/SOLACE Delivering Good Governance in Local Government: Framework.

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Findings and Key Recommendations of the Review of the Effectiveness of the System of Internal Audit 2007/8: Audit Committee

Strengths

1. Audit Committee scrutinised the accounts and asked detailed questions prior to approval.
2. Audit Committee receive refresher training on areas within their remit, including financial and risk management, their role and role of audit. They received briefings on the new AGS and received and approved the new Walsall Local Code of Governance.
3. The Audit Committee includes members with relevant financial experience.
4. The annual audit plan, both draft and final, is presented to Audit Committee for consideration and endorsement.
5. Audit Committee receive an annual review of internal audit and internal control effectiveness.
6. Quarterly reports on internal audit performance are presented to Audit Committee. Audit Committee review actions and choose 2/3 specific audits reports for detailed scrutiny and receive further detail for their consideration.
7. Audit Committee have a work programme that covers the remit of their roles and responsibilities and this is reviewed and improved annually. They receive training/briefings on their role.
8. The terms of reference for the Audit Committee were approved by full Council.
9. Meetings of Audit Committee in 2007/8 (CMIS) provided good examples of scrutiny and member questioning of the audit approach in relation to the council's performance in actioning agreed audit recommendations as this was deemed to be an issue where action was needed. As a result, a strengthened approach was adopted by IA including managers confirming formally to audit that agreed actions have been fully implemented. A quarterly report continues to go to all directorate management teams requiring performance against agreed actions to be considered to focus on improving implementation performance. This requires sign off at year end by EDs / ADs to ensure increased accountability.

Recommendations to Improve Effectiveness

- Audit Committee should undertake a formal self-assessment of their effectiveness and review their training requirements as a result and identify any technical training needs. A revised training plan should then be implemented.
- Grant Thornton also raised the following in their Interim Audit report *"We note that the Audit Committee minute of the consideration of the 2006-07 accounts refers to "many questions being asked" rather than setting out the nature of the discussion around the accounts. This minute is key to demonstrating a robust challenge to the*

financial statements and, as such, should record more detail of the areas discussed”.

- Audit Committee should review the effectiveness of the governance framework, including internal controls more than annually to provide fuller assurance prior to year end.
- Audit Committee were due to undertake a workshop outside of their normal work programme to review their risks, which was planned for 2007/8, however did not take place. This should be planned into their work programme. (It is due to take place in summer 2008). A revised training plan should then be implemented.
- Although delegations substantially follow CIPFA terms of reference, they exclude some areas such as external audit linkages. Delegations should be reviewed and revised where appropriate.
- Consideration needs to be given towards Audit Committee receiving all external audit and inspection reports as they all link on internal control in some way.

Self-Assessment Checklist – Measuring the Effectiveness of the Audit Committee

Issue	Yes	No	N/A	Comments
Terms of Reference				
Have the Committee's terms of reference been approved by full council?				
Do the terms of reference follow the CIPFA model?				
Internal Audit Process				
Does the Committee approve the strategic audit approach and the annual programme?				
Is the work of internal audit regularly reviewed				
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?

Function

Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?

Does the committee take a role in overseeing:

- **Risk management strategies**
- **Internal control statements**
- **Anti-fraud arrangements**
- **Whistle-blowing strategies**

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?

Are separate, private meetings 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?
