

AUDIT COMMITTEE	AGENDA ITEM No. 9
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel: 384557

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

RECOMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Consider the response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee overall meets the good practice statements. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and effectiveness of the Audit Committee.

2. PURPOSE AND REASON FOR REPORT

2.1 Provide Members with details of an internal assessment against good practice for the effectiveness of audit committees.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.18

“To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice”.

3. **TIMESCALES**

Is this a Major Policy Item / Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. **BACKGROUND AND KEY ISSUES**

4.1 **INTRODUCTION**

4.1.1 As part of the Accounts and Audit Regulations 2015, there is an expectation to review the effectiveness of internal systems, including the effectiveness of any Audit Committee established.

4.1.2 Members previously considered a report in July 2021 which reviewed the Committee's effectiveness as the Council's Audit Committee, using the CIPFA "*Toolkit for Local Authority Audit Committees*". An update of this assessment is provided within the report and reflects the changes made in year to appoint co-opted Members.

4.2 **CIPFA GUIDANCE ON AUDIT COMMITTEES**

4.2.1 CIPFA published "*Audit Committees - Practical Guidance for Local Authorities and Police*" in 2018. The document sets out CIPFA's guidance on the function and operation of audit committees, giving their view of best practice, and also includes their "*Position Statement: Audit Committees in Local Authorities and Police Authorities*". Further information has been provided by CIPFA as an update "*Helping Audit Committee to be Effective*" issued in July 2021 and the government response and recommendations issued in relation to the Redmond Review.

4.2.2 The Guidance states that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

4.2.3 The Guidance sets out the CIPFA position statement, then expands on:

- The purpose of Audit Committees;
- The core functions of an Audit Committee;
- Possible wider functions of an Audit Committee;
- Independence and accountability; and
- Membership and effectiveness (including potential causes of difficulty and potential improvement options)

4.2.4 The Guidance specifies the key regulations which can be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference. All of the good practice set out in the CIPFA Position Statement is incorporated within PCC's Audit Committee Terms of Reference.

4.2.5 CIPFA also produced a toolkit for local authority audit committees, which supports the objectives set out in the Guidance. The toolkit set out the following areas for consideration:

- Establishment, operation and duties of the committee;
- Role and remit;
- Membership, induction and training;
- Meetings;
- Internal control;
- Financial reporting and regulatory matters;
- Internal Audit;
- External Audit;
- Administration;
- Agenda management;
- Papers; and
- Actions arising

4.2.6 The toolkit contains an audit committee self-assessment checklist which has been reproduced in **Appendix A**. Officers have completed the checklist, which concludes that the Audit Committee demonstrates that it is meeting good practice in terms of the checklist.

Nevertheless, Members may wish to consider the responses given to ensure they accurately reflect their views and agree appropriate actions for those areas they consider should be amended / enhanced such as around the actual effectiveness of the scrutiny and challenge.

5. CONSULTATION

5.1 The review has been circulated to the Director of Resources and s151 Officer for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 It can be demonstrated that Audit Committee fulfils its terms of reference and meets best practice governance guidelines within the public sector.

7. REASON FOR THE RECOMMENDATION

7.1 To provide Members with an overview of the requirements and best practice for audit committees and allow for challenge.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

Financial Implications

- 9.1 The report does not give rise to any additional capital or revenue financial implications.

Legal Implications

- 9.2 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the authority is effective; and
 - Includes effective arrangements for the management of risk.

Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to the Audit Committee.

Equalities Implications

- 9.3 Not applicable.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 None.

11. APPENDICES

A: Compliance Self-Assessment