



Audit Committee

16 December 2013

Report title	Audit Committee Self-Assessment Exercise	
Cabinet member with lead responsibility	Councillor Paul Sweet Governance and Performance	
Accountable director	Keith Ireland, Delivery	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendations for noting:

The Committee is asked to note:

1. The contents of the outcome from their 2013 self-assessment exercise, and comment where appropriate.

1.0 Purpose

- 1.1 To allow members of the Audit Committee to note and comment on the contents of the outcome from their 2013 self-assessment exercise.

2.0 Background

- 2.1 It is recognised good practice that Audit Committees annually measure their effectiveness, and compliance with best practice, by undertaking an annual self-assessment exercise. Such an exercise has been completed by self-assessing the Committee against a checklist provided by CIPFA in their *Toolkit for Local Authority Audit Committees*.
- 2.2 This exercise has demonstrated that the Audit Committee is effective and does comply with recognised best practice.
- 2.3 The Committee has also reviewed its effectiveness, and believes it continues to make a significant impact in the following areas:
- Raising the profile of risk and internal control issues across the council and reinforcing the need to ensure that audit recommendations are implemented.
 - The review of assurances and the challenge and questioning of council management on key issues, including the implementation of the FutureWorks programme.
 - The use of two additional Audit Sub-Committees in order to specifically focus on the annual accounts process and how the council tackles fraud.
 - Reviewing the risk register and risk management framework on a regular basis.
 - The Chair holding regular agenda setting meetings with the auditors.
 - Maintaining an on-going awareness of the future of local public audit following the abolition of the Audit Commission.
 - Recruiting two independent members in order to bring a specialist and outside perspective to the workings of the Committee.
 - Undertaking and meeting the requirements of a self-assessment exercise based on the CIPFA model for an adequate and effective Audit Committee.
 - Improving knowledge through regular consideration of CIPFA Audit Committee updates.
 - Regular review of the council's compliance with transparency through the publication of its spending data and any 'armchair auditor' requests.

3.0 Progress, options, discussion, etc.

3.1 The self-assessment exercise will continue to be undertaken annually.

4.0 Financial implications

4.1 There are no financial implications arising from this report (CN/19112013/T).

5.0 Legal implications

5.1 There are no legal implications arising from this report (JH/12112013/F).

6.0 Equalities implications

6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from this report.

9.0 Schedule of background papers

9.1 CIPFA 'Toolkit for Local Authority Audit Committees'.



Audit Committee Self - Assessment Checklist – December 2013

Establishment, Operation and Duties					
Role and remit					
Prior ity	Issue	Yes	No	N/a	Comments/action
1	Does the Audit Committee have written terms of reference?	Yes			The Committee's terms of reference are based on the CIPFA model.
1	Do the terms of reference cover the core functions of an Audit Committee as identified in the CIPFA guidance?	Yes			As above.
1	Are the terms of reference approved by the council and reviewed periodically?	Yes			They are reviewed annually by the Audit Committee and routinely approved by the council at its annual meeting through the Constitution.
1	Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes			Via the terms of reference and the Constitution.
1	Can the Audit Committee access other committees and full council as necessary?	Yes			The terms of reference allow the Committee to submit recommendations and observations to the Council/Executive or any other body that the Committee considers appropriate or necessary.
1	Does the Authority's statement on internal control include a description of the Audit Committee's establishment and activities?	Yes			This is included in the Governance Statement.

1	Does the Audit Committee periodically assess its own effectiveness?	Yes			An annual self-assessment exercise is undertaken.
2	Does the Audit Committee make a formal annual report on its work and performance during the year to full council?	Yes			A report is prepared and submitted to the council annually.
Membership, Induction and training					
1	Has the membership of the Audit Committee been formally agreed and a quorum set?	Yes			This was agreed and set upon the formation of the Committee.
1	Is the chair independent of the executive function?	Yes			The Chair is independent of the executive function.
1	Has the Audit Committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Yes			Training sessions are held and the Chair has attended where appropriate.
1	Are new Audit Committee members provided with an appropriate induction?	Yes			Induction training is provided, along with a programme of on-going training where applicable.
1	Have all members' skills and experiences been assessed and training given for identifying gaps?	Yes			Councillor training needs are identified through the Councillor Development Programme operated by Members' Support and the HR Workforce Development Section and delivered by peers and external facilitators as appropriate. A Committee skills audit is also carried out.
1	Has each member declared his or her business interests?	Yes			Interests are declared annually and included as a regular standing agenda item.
1	Are members sufficiently independent of the other key Committees of the council?	Yes			Members are independent of the Executive and the Committee reports direct to Council. During the year two independent (external) members have also joined the Committee.

Meetings					
1	Does the Audit Committee meet regularly?	Yes			The Committee meets at least quarterly (and more often when the cycle of business requires). There is also an annual work programme.
1	Do the terms of reference set out the frequency of meetings?	Yes			The terms of reference set out the frequency of meetings.
1	Does the Audit Committee calendar meet the Authority's business needs, governance needs and the financial calendar?	Yes			As per the work programme.
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes			Attendance is monitored and reported in the Audit Committee Annual Report.
1	Are meetings free and open without political influences being displayed?	Yes			
1	Does the Authority's S151 Officer or deputy attend all meetings?	Yes			
1	Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?	Yes			The Head of Audit always attends and other officers are called in as and when required
Internal Control					
1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit?	Yes			This is undertaken annually.

1	Does the Audit Committee have responsibility for review and approval of the Governance Statement and does it consider it separately from the accounts?	Yes			Annual exercise.
1	Does the Audit Committee consider how meaningful the Governance Statement is	Yes			Annual exercise.
1	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Yes			Annual exercise.
1	Has the Audit Committee considered how it integrates with other committees that may have responsibility for risk management?	Yes			The Committee can refer issues to other Committees and Scrutiny Panels of the Council as appropriate
1	Has the Audit Committee (with delegated responsibility) or the full council adopted 'Managing the Risk of Fraud – Actions to counter Fraud and Corruption'?	Yes			<p>The Committee has a Sub Committee which receives regular fraud reports detailing the anti-fraud activities undertaken by the Council, and monitors fraud investigations.</p> <p>The Council has benchmarked itself against CIPFA's 'Managing the Risk of Fraud – Actions to counter Fraud and Corruption', and the Audit Commission's Protecting the Public Purse, the results of which were presented to the Sub-Committee.</p>
1	Does the Audit Committee ensure that the 'Actions to Counter Fraud and Corruption' are being implemented?	Yes			As above

2	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?	Yes			This is laid out in the Strategy for Internal Audit.
2	Does the Audit Committee review the authority's strategic risk register at least annually?	Yes			The Committee receives regular reports from across the Council on how risks are being managed.
2	Does the Audit Committee monitor how the authority assesses its risks?	Yes			Through the work of Audit Services and the above.
2	Do the Audit Committee's terms of reference include oversight of the risk management process?	Yes			The Committee's terms of reference are based on the CIPFA model.
Financial Reporting and Regulatory Matters					
1	Is the Audit Committee's role in the consideration and/or approval of the annual accounts clearly defined?	Yes			This is in the terms of reference.
1	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? 	Yes			The Committee will consider such issues when they examine the accounts, or if such issues are brought to their attention by the External Auditor (PwC).

1	Is an Audit Committee meeting scheduled to receive the External Auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes			The External Auditors present their report to the Committee.
1	Does the Audit Committee review management's letter of representation?	Yes			This forms part of the External Auditor's report to those charged with governance for information.
2	Does the Audit Committee annually review the accounting policies of the Authority?	Yes			Would do so in considering the External Auditor's report.
2	Does the Audit Committee gain an understanding of management's procedures for preparing the Authority's annual accounts?	Yes			Training sessions are held for Committee members.
2	Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Yes			On-going training sessions are provided. Also, during the year the Committee receive the regular CIPFA Technical Updates for Audit Committee members.
Internal Audit					
1	Does the Audit Committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the Authority's significant risks?	Yes			These are approved annually.
1	Does the internal audit have an appropriate reporting line to the Audit Committee?	Yes			Through regular progress reports and an Annual Report. The Head of Audit also attends each Committee meeting and has regular meetings with the Committee Chair.

1	Does the Audit Committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Yes			As above.
1	Are follow-up audits by internal audit monitored by the Audit Committee and does the Committee consider the adequacy of implementation of recommendations?	Yes			Through Audit Services regular progress reports.
1	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?	Yes			The Head of Audit has briefing sessions prior to Committee meetings.
1	Is there appropriate cooperation between the internal and External Auditors?	Yes			Meet on at least a quarterly basis and on-going dialogue outside of this.
1	Does the Audit Committee review the adequacy of internal audit staffing and other resources?	Yes			Through a series of performance indicators and benchmarking against CIPFA's Role of the Head of Internal Audit in Public Sector Organisations.
1	Has the Audit Committee evaluated whether its internal audit service complies with CIPFA'S Code of Practice for Internal audit in Local Government in the United Kingdom?	Yes			Through the annual review of the effectiveness of internal audit, and the External Auditors statement on this compliance in their annual report. From 1 April 2014 CIPFA'S Code of Practice for Internal audit in Local Government in the United Kingdom has been replaced by a new set of Public Sector Internal Audit Standards and in the future Audit Services will be assessed against these.
2	Are internal audit performance measures monitored by the Audit Committee?	Yes			Through Audit Services regular progress and Annual Reports.
2	Has the Audit Committee considered the information it wishes to receive from internal audit?	Yes			Through the work programme.

External Audit					
1	Do the External Auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?	Yes			Yes the Annual Audit Fee letter and plan was presented by the External Auditor.
1	Does the Audit Committee hold periodic private discussions with the External Auditor?	Yes			The External Auditor has regular meetings with the Committee Chair, as well as briefing sessions prior to Committee meetings.
1	Does the Audit Committee review the External Auditor's annual report to those charged with governance?	Yes			On an annual basis.
1	Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?	Yes			External Audit follow up and report back to the Audit committee on the implementation of their recommendations.
1	Are reports on the work of external audit and other inspection agencies presented to the Committee, including the Audit Commissions annual audit and inspection letter?	Yes			All key External Audit reports are presented to the Committee.
1	Does the Audit Committee assess the performance of external audit?			NA	The DCLG proposed changes following the abolition of the Audit Commission, will result in the Committee having an increased involvement in the selection, and monitoring of, the performance of future External Auditors.

1	Does the Audit Committee consider and approve the external audit fee?			NA	<p>There is consultation on the proposed overall audit fees across all Authorities and each authority is able to put forward their views. However, once the consultation period has ended the fees are set. They are approved as part of the overall council's budget in March. However, the fee is brought to the attention of the Committee.</p> <p>The DCLG proposed changes following the abolition of the Audit Commission, will result in the Committee having an increased involvement in the selection and fees charged by future External Auditors.</p>
Administration - Agenda Management					
1	Does the Audit Committee have a designated secretary from Committee/Member services?	Yes			Democratic Support Officer.
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?	Yes			As per a pre-set timetable.
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Yes			These are included in the Committee work programme.
2	Are inputs for Any Other Business formally requested in advance from Committee members, relevant officers, internal and external audit?	Yes			Councillors, employees and External Audit can ask for agenda items to be included on agendas through Democratic Services. These are considered at the regular agenda meetings held with the Chair. The Committee is not permitted to have 'any other business' on the agenda because of Access to Information legislation. The work programme is regularly consulted on.

Papers					
1	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	Yes			
2	Does the Audit Committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?	Yes			This has recently been updated.
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Yes			
1	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	Yes			Any issues arising are picked up and timetabled in the work programme.
1	Do action points indicate who is to perform what and by when?	Yes			Minutes will indicate a timescale for response where appropriate. Employees responsible for actions will be notified via an action column in the draft minutes /e-mail where necessary.