

**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **27 NOVEMBER 2019**

**TITLE:** **REVIEW OF THE EFFECTIVENESS OF THE  
AUDIT COMMITTEE AND ITS TERMS OF  
REFERENCE**

**LEAD OFFICER:** **SARAH MARSH, INTERNAL AUDIT  
MANAGER (01279) 446884**

**RECOMMENDED THAT:**

- A** The Committee agrees no changes are required to its Terms of Reference.
- B** The Committee considers the results of the review of effectiveness of the Audit Committee, discusses the self-assessment checklists and agrees the proposed action plan for improvements.

**BACKGROUND**

1. The purpose of this report is to review the Audit and Standards Committee Terms of Reference and its compliance with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The report also seeks to ensure the Committee remains effective in the fulfilment of its key governance framework role.
2. The Audit and Standards Committee normally reviews its Terms of Reference and effectiveness on an annual basis with the last review being in November 2018.
3. The 2018 CIPFA guidance, entitled "Audit Committee: Practical Guidance for Local Authorities and Police", gives guidance on the core functions of the Audit Committee in relation to governance, risk management, internal control and audit. CIPFA's guidance also provides practical support to those wishing to evaluate their existing Committee and plan improvements. The checklists provided are set out in Appendix B and C to the report.

**ISSUES/PROPOSALS**

**Terms of Reference Review**

4. Internal Audit has carried out a comparison of the Committee's current Terms of Reference, as set out in Appendix A to the report, with the 2018 CIPFA model terms of reference and benchmarking against Broxbourne and Epping Forest. On this basis, the current terms of reference are still fit for purpose.

## Approach to the Effectiveness Review

5. The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. An Audit and Standards Committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the Council's business.
6. This review was performed by the Head of Internal Audit using the recommended practice in the CIPFA Audit Committee guidance. Using the checklists provided by CIPFA supports an assessment against recommended practice to inform and support the Audit and Standards Committee in its duties. This should not be seen as a tick-box activity and will help the Committee achieve a good standard of performance.

## Previous Results

7. The Committee's effectiveness reviews have been undertaken previously with the last review being in November 2018. The results of the 2018 self-assessment confirmed that the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee. Some minor areas for improvement were identified as listed in the Action Plan below:

**Table 1 – Action Plan**

Area	Description and proposed action (November 2018)
Audit Committee Membership	The 2018 CIPFA guidance asks local councils to consider the inclusion of at least one independent member. With the support of Member Services the Committee should consider the value of appointing an independent person, what skills, knowledge or experience such a person should bring to the Committee and how to source such a person.
Skills and knowledge analysis	A skills and knowledge analysis was last undertaken in September 2017 and should be repeated to help inform the decision regarding the appointment of an independent member.
Committee engagement	<p>The Audit Committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly. CIPFA gives the following examples on how this can be achieved:</p> <ul style="list-style-type: none"> <li>• The committee focuses on a significant risk area from the risk register and invite the head of service to attend to discuss risks and explain how the risk is mitigated.</li> <li>• When reviewing an audit report with significant weaknesses or disputed recommendations then the responsible head of service should be present to answer questions directly.</li> <li>• If other action plans are monitored by committee then again</li> </ul>

Area	Description and proposed action (November 2018)
	involve responsible heads. <ul style="list-style-type: none"> <li>• Invite other members on other committees such as scrutiny if the agenda covers areas of interest to them.</li> </ul>

## Results of the Effectiveness Review

8. The results of the self-assessment show that the Council is able to demonstrate compliance with recommended best practice for an effective audit committee.
9. Last year's action plan still remains relevant except the Committee has agreed to the appointment of an independent member to the Committee and a recruitment process for this will start shortly.

## IMPLICATIONS

### Environment and Planning (includes Sustainability)

None specific.

Author: **Andrew Bramidge, Head of Environment and Planning**

### Finance (includes ICT and Properties and Facilities)

The Audit and Standards Committee has a pivotal role in how the Council delivers good governance. The purpose of the 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 process, and reviewing the effectiveness of these arrangements.

Author: **Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### Housing

None specific

Author: **Andrew Murray, Head of Housing**

### Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific

Author: **Jane Greer, Head of Community Wellbeing**

### Governance (includes HR)

To comply with CIPFA guidelines and as part of the process for gathering evidence for the production of the Annual Governance Statement, the Council is required to review the effectiveness of its Audit Committee. This review ensures that the Council fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

The Accounts and Audit (England Regulations) 2015 requires that a relevant authority must ensure 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.

The Accounts and Audit Regulations do not specify that these requirements must be met by an audit committee. However, where the audit committee undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

Author: **Simon Hill, Head of Governance**

## **BACKGROUND PAPERS**

CIPFA Audit Committees Practical Guidance for Local Authorities and Police (edition 2018)

### **Glossary of terms/abbreviations used**

CIPFA – The Chartered Institute of Public Finance and Accountancy

### **Appendices**

Appendix A – Audit and Standards Committee Current Terms of Reference

Appendix B – Audit and Standards Committee Good Practice Self-Assessment Checklist

Appendix C – Audit and Standards Committee Effectiveness Checklist