

REPORT TO: AUDIT AND STANDARDS COMMITTEE

DATE: 24 NOVEMBER 2021

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

AUTHORS INTERNAL AUDIT MANAGER

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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 and notes progress against last year's action.

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 reviews its Terms of Reference and effectiveness on an annual basis with the last review being in November 2020. The Committee's Terms of Reference forms part of the Council's Constitution, therefore, any changes to them would require full Council approval.
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 and the checklist provided have been used in this 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 and no changes are required.

Approach to the Effectiveness Review

5. The effective operation of the Audit Committee forms a key element of the Council’s assurance framework. An audit 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 Internal Audit Manager using the recommended practice in the CIPFA Audit Committee guidance. Using the checklist provided by CIPFA to support 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 August 2020. The results of the 2020 self-assessment confirmed that the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee and there were no new areas for improvement. The minor areas for improvement are listed in the Action Plan below, with the status with these as at November 2021:

Table 1 – Action Plan

Area	Description and proposed action (August 2020)	Progress as November 2021
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.	Completed – following a recruitment process and approval by full Council an independent person has been appointed, with their first meeting being at the November 2021 Audit and Standards Committee meeting.
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.	Completed – this was undertaken in 2020 and 2021 and reported to the August 2020 and November 2021 meetings respectively.

Area	Description and proposed action (August 2020)	Progress as November 2021
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"> • The committee focuses on a significant risk area from the risk register and invite the head of service/director to attend to discuss risks and explain how the risk is mitigated. • When reviewing an audit report with significant weaknesses or disputed recommendations then the responsible head of service/director should be present to answer questions directly. • If other action plans are monitored by committee then again involve responsible heads. • Invite other members on other committees such as scrutiny if the agenda covers areas of interest to them. 	Completed - the Committee as a whole is aware of these options available to them

Results of the Effectiveness Review

8. The current self-assessment, as set out in Appendix B to the report, has been carried out by the Internal Audit Manager and is based on guidance issued in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police (2018 edition).
9. The results of the self-assessment show that the Council continues to demonstrate compliance with recommended best practice for an effective Audit Committee. There are no areas that the Committee requires improvement on.

Skills and Knowledge Review

10. Internal Audit facilitated a skills and knowledge analysis of the Audit and Standards Committee. An anonymised summary of the results can be found in appendix C.
11. This concludes the committee has collectively a wide range of knowledge and experience, including both public and private sectors. There was no one area that lacked collective knowledge or experience.

12. The results have helped inform a training programme for the Committee, which will be open to all councillors. Typically these take place just ahead of each Audit and Standards Committee meeting and are facilitated by the Internal Audit Manager. The proposed training programme for the rest of 2021/22 is detailed below:

a) November 2021 – Information Governance

b) March 2022 – The Role of Audit Committee and Internal Audit

13. Some of the newer councillors and the recently appointed independent member lack organisational knowledge about the Council. The Internal Audit Manager will liaise with the Governance Support team on how best to address this.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance (includes ICT, and Property 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, Deputy to the Chief Executive and Director of Finance

Housing

None specific

Author: Andrew Murray, Director of Housing

Community Wellbeing

None specific

Author: Jane Greer, Director of Communities and Environment

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, Director of Governance and Corporate Support

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 – Committee's current Terms of Reference

Appendix B – Good practice self-assessment checklist

Appendix C – Summary of the Committee's skills and knowledge analysis