

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting: 29 March 2011
Report of: Head of Policy and Performance
Title: Audit Committee Self Assessment

1.0 Report Summary

- 1.0 The purpose of this report is to facilitate compliance with the requirements of the Accounts and Audit Regulations (2003 as amended) and, consequently, it advises Members on the results of a self assessment of the effectiveness of the Audit and Governance Committee using the CIPFA publication '*Audit Committees – Practical Guidance for Local Authorities (Appendix A)*'.

2.0 Decision Requested

- 2.1 That the Committee consider the self assessment and determine any required amendments.
- 2.2 That the Committee note that the detailed outcome of the review of the system of Internal Audit will be considered by the Audit and Governance Committee as part of the Annual Governance Statement (AGS) approval process.

3.0 Reasons for Recommendations

- 3.1 Regulation 6 of the Accounts and Audit Regulations 2003 (as amended) requires the authority to conduct an annual review of the effectiveness of its system of internal audit.
- 3.2 The effectiveness of the system of internal audit should include the effectiveness of the audit committee itself (to the extent that its work relates to internal audit), as well as the performance of the internal audit provider.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Borough Treasurer)

7.1 No specific financial implications.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 As detailed in the report.

9.0 Risk Management

9.1 Failure to review and report on the Committee's effectiveness could result in improvement opportunities being missed and in non compliance with the Accounts and Audit Regulations 2003 (as amended).

9.2 An effective audit committee can:

- raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations
- increase public confidence in the objectivity and fairness of financial and other reporting
- reinforce the importance and independence of internal and external audit and any other similar review process
- provide additional assurance through a process of independent and objective review

10.0 Background and Options

10.1 The process for conducting the review of the effectiveness of the Council's system of internal audit, which was agreed with the Audit and Governance Committee in November 2010, includes a self - assessment against the following relevant internal audit standards:

- the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
- Audit Committees – Practical Guidance for Local Authorities CIPFA

10.2 As with the AGS, the completion of the review of the system of internal audit will be carried out by the Corporate Governance Group with input from the Head of Policy and Performance. The detailed results of the overall review will then be reported to the Audit and Governance Committee for consideration as part of the AGS process. Prior to this it

is important that Members are satisfied that the self- assessment of the Committee's effectiveness has been completed correctly.

- 10.3 The Committee is reminded that the contents of the External Auditor's report on Internal Audit's compliance with the Code for the year ended 31 March 2010 was considered by Members in September 2010.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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

Issue	Yes	No	Partial	Comment
Terms of Reference				
Have the committee's terms of reference been approved by full council?	✓			Approved as part of Constitution.
Do the terms of reference follow the CIPFA model?	✓			Based on <i>Audit Committees – Practical Guidance for Local Authorities</i> , CIPFA 2005.
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme?	✓			Internal Audit Strategy approved September 2009, with update in Nov 2010, audit plan approved May 2010 and March 2011.
Is the work of internal audit reviewed regularly?	✓			Annual Internal Audit Opinion report received in June 2010, Interim reports received in Sept 2010 and Jan 2011.
Are summaries of quality questionnaires from managers reviewed?			✓	Questionnaires in place for quarter 4 2010/11. Results of which will be reported in the Internal Audit Opinion report.
Is the annual report, from the head of audit, presented to the committee?	✓			Annually to support production of the Annual Governance Statement (AGS). Last reported in June 2010.
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?	✓			Annual Governance Report received Sep 10, Final Account Memorandum received Nov 10, Annual Audit Letter

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

Issue	Yes	No	Partial	Comment
				Jan 11. Update report March 11.
Does the committee input into the external audit programme?	✓			The Committee received and commented on the external auditor's 2010/11 plan in January 2011. The plan set out the audit work in respect of the audit of financial statements and the value for money conclusion 2010/11.
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	✓			Following a verbal update on the implementation of agreed actions relating to the Audit Commission's Final Accounts Memorandum, Members requested a formal update report for the March 2011 Committee.
Does the committee take a role in overseeing: <ul style="list-style-type: none"> Risk management strategies Statement on Internal Control Anti-fraud arrangements 	✓ ✓ ✓			Update reports Nov 10, & Jan 11. Approved Statement June 10, Approved Revised Code of Gov, process for production of AGS Nov 10, and update on AGS action plan Jan 11. Review of Strategy reported Jan 11.

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

Issue	Yes	No	Partial	Comment
<ul style="list-style-type: none"> Whistle-blowing strategies? 	✓			Review of Strategy reported Nov 10.
Membership				
Has the membership of the committee been formally agreed and a quorum set?	✓			
Is the chair free of executive or scrutiny functions?		✓		The Chair, who is free of executive responsibilities, sits on the Appeals, Children's & Families Scrutiny, and Environment & Prosperity Scrutiny Committees. This issue will be reviewed following the elections in May 2011.
Are members sufficiently independent of the other key committees of the council?	✓			The number of Committee Members is such that should any conflict of interest arise, this would be declared and there is no risk to the independent or effective decision making within this Committee.
Have all members' skills and experiences been assessed and training given for identified gaps?	✓			The Committee considered training requirements against the Better Governance Forum recommendations in Sep 10 and training requirements are considered at each subsequent Committee as part of the Work Programme/Plan.

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

Issue	Yes	No	Partial	Comment
				An induction session was delivered in June 2010 covering core functions re Internal & External Audit, Risk & Governance and Financial Statements, and a series of training sessions have, as a consequence of the above, been delivered around the IFRS, AGS, Risk and Customer Complaints. Further training is planned regarding performance management.
Can the committee access other committees as necessary?	✓			There is a minor point re part 2 reports in all committee and council papers meaning that, in theory, Members of the Committee do not have automatic rights of access to part 2 papers. This has not been an issue in the year and this policy is being reviewed by Members and the Democratic Services Team.
Does the committee meet regularly?	✓			
Are separate, private meetings held with the external auditor and the internal auditor?	✓			The External Auditor has met with the Chair as necessary.

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

Issue	Yes	No	Partial	Comment
				Regular meetings with the Chair, Vice Chair and Internal Audit Management are scheduled quarterly.
Are meetings free and open without political influences being displayed?	✓			
Are decisions reached promptly?	✓			Any deviations from the Work Programme are discussed and agreed at each Committee.
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?	✓			Evidenced by Risk Owners/Managers presenting assurance sessions as determined by Committee.
Training				
Is induction training provided to members?	✓			See response regarding the assessment of members' skills and experiences.
Is more advanced training available as required?	✓			As above.
Administration				
Does the authority's s151 officer or deputy attend all meetings?		✓		The Section 151 officer attends the key meetings such as the approval of the Council's Financial Statements (with the deputy also attending). A finance officer representing the Section 151 Officer

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

Issue	Yes	No	Partial	Comment
				does attend all meetings.
Are the key officers available to support the committee?	✓			