

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

22 November 2018

Role and Effectiveness of the Audit Committee

Report of the Head of Finance & Resources

This report is public

Purpose of the Report

- To present for members' information CIPFA's "Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition" and to enable the Committee to undertake a self- assessment.

1 Report Details

- 1.1 CIPFA have recently produced new guidance in respect of Audit Committees (Appendix 1). The publication sets out CIPFA's guidance on the function and operation of audit committees in local authorities and represents best practice for audit committees throughout the UK. This guidance replaces the previous 2013 guidance.

- 1.2 The guidance emphasises the role and importance of an Audit Committee:

"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. Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation."

- 1.3 The guidance also covers:

- CIPFA's Position Statement : Audit Committees in Local Authorities and Police
- The purpose of Audit Committees
- The core functions of an Audit Committee
- Possible wider functions of an Audit Committee

- Independence and Accountability
- Membership and effectiveness

1.4 Appendix D of CIPFA'S publication includes a self-assessment of good practice. This provides a high level review that incorporates the key principles set out in CIPFA's position statement and publication. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are essential factors in developing an effective audit committee.

1.4 It is proposed that the self-assessment of good practice in the new guidance is completed. Appendix 2 is a replication of the new self-assessment of good practice. Once completed, this will be reviewed and if necessary, an action plan will be presented to a future meeting of the Audit Committee.

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of CIPFA'S new publication "Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition" and to enable the Audit Committee to undertake a self-assessment.

3 Consultation and Equality Impact

Consultation

3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities

3.2 There are no direct implications arising from this report.

4 Alternative Options and Reasons for Rejection

4.1 The report is for information.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no direct implications arising from this report.

Risk

There are no direct implications arising from this report. However, failure to have in place an effective audit committee would increase governance risk to the Council

5.2 Legal Implications including Data Protection

There are no direct implications arising from this report.

5.3 Human Resources Implications

There are no direct implications arising from this report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the new CIPFA guidance for Local Authority Audit Committees.
- 6.2 That the Audit and Corporate Governance Scrutiny Committee undertake the self-assessment in Appendix 2 of the report.
- 6.3 That the completed self-assessment is reviewed and if necessary, an action plan be presented to a future meeting of the Audit and Corporate Governance Scrutiny Committee.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition
2	Audit Committee Self Assessment
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Dawn Clarke – Head of Finance & Resources	7658