
Report To:	Audit Committee	Date:	22 April 2014
Report By:	Acting Corporate Director Environment, Regeneration & Resources	Report No:	AC/81/14/AP/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Review of Audit Committee Effectiveness		

1.0 PURPOSE

- 1.1 The purpose of this report is to apprise members of the need to carry out a review of the effectiveness of the audit committee.

2.0 SUMMARY

- 2.1 Audit committees are a key component of corporate governance. They provide a high-level focus on assurance and the organisation's arrangements for governance, risk management and the system of internal control.
- 2.2 CIPFA has recently issued new guidance, namely Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) which updates the core functions of the audit committee in relation to governance, risk management and control since the original edition in 2005. The introduction of the Public Sector Internal Audit Standards and annual governance statements have also been considered for impact on the audit committee within the new guidance.
- 2.3 The new guidance provides practical support via a self-assessment checklist for local authorities to use to evaluate their existing committee arrangements and plan improvements.
- 2.4 Areas which will be covered in the self-assessment include:
- Audit Committee purpose and governance
 - Functions of the committee
 - Membership and support
- 2.5 It is important that members are satisfied that the self-assessment of the Committee's effectiveness has been completed correctly and it may be prudent for the first assessment to be carried out by an external facilitator to ensure the robustness of the assessment process.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members agree to note the requirement for a review of the effectiveness of the Audit Committee and agree that that the option of an externally facilitated self-assessment is carried out during 2014-2015.

Alan Puckrin
Acting Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 In its Code of Practice, Audit Scotland makes it clear that the audited bodies are responsible for developing systems of internal control and for conducting annual reviews of the effectiveness of the system of internal control.
- 4.2 Best practice suggests that the effectiveness of the system of internal control should include a review of the work of the Audit Committee itself as well as the performance of the internal audit service.

5.0 CURRENT POSITION

- 5.1 Audit committees are a key component of corporate governance. They provide a high-level focus on assurance and the organisation's arrangements for governance, risk management and the system of internal control.
- 5.2 CIPFA has recently issued new guidance, namely Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) which updates the core functions of the Audit Committee in relation to governance, risk management and control since the original edition in 2005. The introduction of the Public Sector Internal Audit Standards and annual governance statements has also been considered for impact on the Audit Committee within the new guidance.
- 5.3 The new guidance provides practical support via a self-assessment checklist for local authorities to use to evaluate their existing committee arrangements and plan improvements.
- 5.4 Areas which will be covered in the self-assessment include:-
- Audit Committee purpose and governance;
 - Functions of the committee; and
 - Membership and support.
- 5.5 It is important that members are satisfied that the self-assessment of the Committee's effectiveness has been completed correctly and it may be prudent for the first assessment to be carried out by an external facilitator to ensure the robustness of the assessment process.

6.0 IMPLICATIONS

Finance

- 6.1 If approved, the requirement to carry out an externally facilitated self-assessment of audit committee effectiveness will be contained within existing budget.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Legal and Property Services	Various	2014-2015	£2000 to £3000		

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 External audit have been consulted in the proposed review of the audit committee and are supportive of the Council's approach.

8.0 LIST OF BACKGROUND PAPERS

8.1 CIPFA publication: Audit Committees – Practical Guidance for Local Authorities. Available from Andi Priestman. Chief Internal Auditor.