

AGENDA ITEM

## Audit Committee

DATE: 17th SEPTEMBER 2009

Audit Committee Review of Effectiveness

Paul Slocombe - Director Of Resources

### PURPOSE OF THE REPORT

1. The purpose of this report is to set out the terms for a review of effectiveness of the audit committee

### BACKGROUND

2. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and internal control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment. This includes monitoring the integrity of financial statements, reviewing the Corporate Governance Statement of Internal Control and considering the planned activity and outputs of both internal and external audit.
3. The Council's Audit Committee was established in May 2007. The current terms of reference are attached as Appendix A.
4. The committee has met on a regular basis over the past two years. Before each of the meetings there has been a training session for the Members including:
  - Role of the audit committee
  - Corporate governance – an overview
  - Corporate Governance Statement
  - the role of internal and external audit
  - the importance of risk management.
  - Business Continuity
  - Data quality
  - Value for Money
  - Understanding the Council's Financial Statements

5. There have been concerns raised by the external auditor about the role of the audit committee within the Council's corporate governance structure and its effectiveness in assessing and challenging governance issues.
6. The guidance provided by the Chartered Institute of Public Finance Accountants – CIPFA "A toolkit for local authority audit committees" recommends that from time to time the audit committee should undertake a formal review of its effectiveness. This recommendation is also included in the booklet "The audit committee knowledge" provided by the external auditors – Deloitte's.
7. The review would be wide ranging and cover:
  - a. Committee structure and role clarity
    - Committee's position in the Council's corporate governance arrangements – including the relationship with Corporate Affairs / Standards Committee / Scrutiny / Executive / Council
    - Committee's purpose
    - Committee's terms of reference
    - Reporting requirements
  - b. Committee composition
    - Committee membership – number of members
    - Member appointment and independence
    - Member qualities
    - Chair responsibilities
    - Succession planning / Substitutes
  - c. Member training
    - Induction
    - Technical & skills balance
    - Quality & Effectiveness
    - Frequency
  - d. Committee operation
    - Time and frequency of meetings
    - Structure of the agenda
    - Attendance and involvement
    - Type of officer support
  - e. Reports to the Committee
    - Quality
    - What reports are presented and when – by function, by service, by calendar
    - Which officers attend and when
    - Method of presentation
    - Officer training?
8. The findings from the review and any actions required to improve the effectiveness will be reported to the next committee and Executive.

## **RECOMMENDATIONS**

9. The Members of the Audit Committee:
  - a. Approve the review outlined in paragraph 7

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