

# REPORT FOR DECISION

**MEETING:** AUDIT COMMITTEE

**DATE:** 25<sup>th</sup> JUNE 2009

**SUBJECT:** REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2008/09

**REPORT FROM:** HEAD OF INTERNAL AUDIT

**CONTACT OFFICER:** BARRIE STROTHERS

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**TYPE OF DECISION:** COUNCIL OR EXECUTIVE (KEY DECISION OR NON KEY DECISION)

Non key.

**FREEDOM OF INFORMATION/STATUS:** FOR PUBLICATION

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**SUMMARY:**

This is a report to summarise the work carried out by this Committee over the 2008/09 financial year in order to show the effectiveness of this Committee and includes a self-assessment checklist (appendix to this report) to demonstrate that CIPFA guidance is complied with.

**OPTIONS & RECOMMENDED OPTION**

Members may accept or reject the report. It is recommended that Members accept the report which helps to show the Council are complying with recommendations issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Committee's acceptance of these recommendations at the 20<sup>th</sup> September meeting 2006.

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**IMPLICATIONS:**

**Corporate Aims/Policy Framework:**

Do the proposals accord with the Policy Framework? Yes

**Financial Implications and Risk Considerations:**

There are no direct resource or risk implications arising from this report.

**Statement by Director of Finance and E-Government:**

There are no direct financial implications arising from the report.

**Equality/Diversity implications:** None

**Considered by Monitoring Officer:** No

**Are there any legal implications?** No

**Staffing/ICT/Property:** None

**Wards Affected:** The work of the Audit Committee impacts on all of the Council's wards and Area Boards.

**Scrutiny Interest:** None

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**TRACKING/PROCESS**

**DIRECTOR:**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
Scrutiny Commission	Executive	Committee	Council
		Audit 25/6/09	

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**1.0 BACKGROUND**

1.1 As part of its document 'Audit Committees; Practical Guidance for Local Authorities' CIPFA's Audit Panel have issued a Position Statement on the role of audit committees in local government which emphasises the importance of audit committees being in place in all principal local authorities.

1.2 The CIPFA guidance recommends that audit committees should have as their core functions to:

- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Approve (but not direct) internal audit's strategy, plan and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Head of Internal Audit.
- Consider the reports of external audit and inspection agencies.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 1.3 CIPFA have recognised the important role played by Audit Committees saying that they are a key component of corporate governance, a key source of assurance about the effectiveness of an organisation's control environment, and offer reassurance that the arrangements for managing risk are robust.
- 1.4 The Audit Committee meeting of 20<sup>th</sup> September 2006 approved a Statement of Purpose, adopted a set of Core Functions, and agreed that training sessions be provided to Members of the Committee at each scheduled meeting.
- 1.5 As part of this arrangement, this report summarises the work carried out by the Committee during the 2008/09 financial year and includes an updated Self-Assessment Checklist to demonstrate compliance with the CIPFA guidance.

## **2.0 REPORTS BROUGHT BEFORE THIS COMMITTEE 2008/09**

- 2.1 There have been four meetings during the 2008/09 financial year.

### **On 3<sup>rd</sup> June 2008**

#### *Training Session*

- Role and Function of the Audit Committee.
- Role and Function of Internal Audit.
- Role and Function of Strategic Finance Officer.
- Role and Function of KPMG.

#### *Reports*

- Internal Audit Annual Report and Review of the Effectiveness of Internal Control 2007/08
- Risk Management Annual Report 2007/08.
- Effectiveness of the Audit Committee.
- Annual Governance Statement 2007/08.
- The External Audit Inspection Plan 2008/09
- Service Prioritisation - KPMG.
- Integrated Social Needs Transport – Review of Arrangements and Use of Resources.
- Progress report from External Audit.

#### **Delegated Decisions:-**

- That the suitability of the Internal Audit Annual Report and Review of the Effectiveness of Internal Control 2007/08 be endorsed in support of the Governance Statement 2007/08.
- That the amendments to the Risk Management Policy and Strategy be approved.
- That the contents of the report into the Effectiveness of the Audit Committee be accepted.
- That the Annual Governance Statement 2007/08 be adopted and its suitability in support of the Statement of Accounts be endorsed.
- That the establishment of a Governance Panel be approved.
- The content of the External Audit Inspection Plan 2008/09 was noted.
- That the content of the Integrated Social Needs Transport – Review of Arrangements and Use of Resources be noted.
- That the content of the Progress report from External Audit be noted.

## **On 26<sup>th</sup> June 2008**

### *Training Sessions*

- Local Government Accounts.

### *Reports*

- Statement of Accounts 2007/08

### **Delegated Decisions:-**

- The Statement of Accounts for 2007/08 was approved in line with the provisions of the Accounts and Audit Regulations 2003.
- That the financing of the Capital Programme as outlined in Note 34 to the Core Financial Statement be approved.

## **On 23<sup>rd</sup> September 2008**

### *Training Sessions*

- Annual Budget Setting process

### *Reports*

- Finance and Performance Monitoring 2008/09 Month 3
- Gifts and Hospitality Report
- Progress reports from both External and Internal Audit.
- International Standards on Audit - KPMG
- Member's feedback report.

### **Delegated Decisions:-**

- The content of the Finance and Performance Monitoring Report was noted.
- The Committee reaffirmed its support for the importance of registering gifts and hospitality; endorsed the current approach, and noted the declarations made to date.
- The External audit progress statement was noted.
- The findings of the ISA 260 report was accepted.
- The contents of the Internal Audit progress and feedback reports were noted.

## **On 9<sup>th</sup> December 2008**

### *Training Sessions*

- Treasury Management.

### *Reports*

- Quarterly Statement on Internal Control.
- Month 6 Corporate Monitoring Report
- Ethical Governance Survey Results
- External Audit Data Quality Report
- External Audit Use of Resources Judgement.
- Progress reports from both External and Internal Audit.
- Member's feedback report.

### **Delegated Decisions:-**

- That the Statement on Internal Control be noted.
- That the contents of the Month 6 Corporate Monitoring Report be noted and that the Executive Director of Adult care Services be invited to attend the next meeting of the Audit Committee to report on the budget pressures facing the department.
- That the action plan to the ethical governance report be accepted and that the training methodology be accepted.
- That the survey be repeated for Members in 2009/10 and for Officers in 2010/11 to assess the effectiveness of the training.
- That the contents of the External Audit progress report be noted.

- That the content of the Data Quality report from KPMG be noted and that the Head of Improvement be invited to the next meeting of the Audit Committee to explain the work being carried out to ensure that the Authority maintains or improves on its score.
- That the content of the External Audit Use of Resources Report be noted.
- The contents of the Internal Audit progress and feedback reports were noted

### **On 24<sup>th</sup> February 2009**

#### *Training Sessions*

- Managing the Performance of Internal Audit

#### *Reports*

- Finance and Performance Monitoring 2008/09 Month 9
- Quarterly Review of Corporate Governance.
- Gifts and Hospitality
- External Audit Progress Report
- Internal Audit progress Report and member's Feedback.

### **Delegated Decisions:-**

- The content of the month 9 Finance and Performance monitoring report was accepted.
- The content of the Gifts and Hospitality Report was noted.
- The content of the External Audit Progress Report was noted.
- Contents of the Internal Audit Progress report be accepted as the report helps the Council to fulfil its statutory obligations under the Accounts & Audit regulations 2003 (Amended 2006).

- 2.2 In addition to these reports and training sessions, the Committee has also read 70 audit reports containing 455 recommendations of which 96% were accepted.
- 2.3 There have been training sessions prior to each Committee during 2008/09 reflecting the increased importance given to having well informed Members on the Audit Committee.

### **3.0 FORWARD PLAN (may be subject to changes)**

- 3.1 There are four Audit Committee meetings scheduled to take place during the 2009/10 Municipal year.

### **25<sup>th</sup> June 2009**

- International Standards in Audit (ISA 260) training delivered by KPMG.
- Statement of Accounts 2008/09.
- Annual Governance Statement.
- Internal Audit Annual Report 2008/09 (including a review of the effectiveness of internal control).
- Review of the Effectiveness of the Audit Committee 2008/09.
- Risk Management Annual Report.
- KPMG Audit and Inspection Plan 2009/10.
- 2008/09 External Audit Progress Update.

### **22<sup>nd</sup> September 2009**

- Training – Voice Risk Analysis Software.
- Adult Care Services Draft Recovery Plan
- Quarterly Governance Statement.
- Gifts & Hospitality/Declarations of Interest.
- Month 3 Budget Monitoring Report.

- KPMG – ISA 260 and Bury’s response.
- International Financial Reporting Standards.
- Capital Programme Management Review.
- Adult Care Services Financial Management Review.
- 2009/10 External Audit Progress Update.
- 2009/10 Internal Audit Progress Update.

#### **8<sup>th</sup> December 2009**

- Training – TBC
- Quarterly Governance Statement.
- Gifts & Hospitality/Declarations of Interest.
- Month 6 Budget Monitoring Report.
- Annual External Audit Report 2008/09.
- 2009/10 External Audit Progress Update.
- 2009/10 Internal Audit Progress Update.

#### **23<sup>rd</sup> February 2010**

- Training – TBC.
- Quarterly Governance Statement.
- Gifts & Hospitality/Declarations of Interest.
- Month 9 Budget Monitoring Report.
- Internal Audit Plan 2010/11.
- 2009/10 External Audit Progress Update.
- 2009/10 Internal Audit Progress Update.

### **4.0 CONCLUSION**

4.1 It is felt that the current Audit Committee complies with the features of such a Committee as expressed by CIPFA, specifically that:-

- We have a dedicated Chairperson who ensures the Committee functions effectively.
- A Committee with unbiased attitudes.
- A Committee with the ability to challenge the Executive when required.
- A membership that is balanced, objective, independent of mind, and knowledgeable.

4.2 In the opinion of the Officers attending the Audit Committee, the support given by Members is invaluable to Officers in reinforcing the message of sound governance. In particular, members of the Committee insisting on responses to audit recommendations being timely help the audit team to realise in a practical way, the support they have from their Audit Committee.

#### **List of Background Papers:-**

Audit Committees; Practical Guidance for Local Authorities (CIPFA 2005).  
Internal Audit Reports issued throughout the course of the year.  
Audit Committee minutes.

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