



Haringey Council

Agenda item:

[No.]

Audit Committee

On 1 February 2010

Report Title: **Review of the effectiveness of the Audit Committee**

Report authorised by: **Chief Financial Officer**

Report of and Contact Officer: Anne Woods, Head of Audit and Risk Management

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Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose of the report

- 1.1 To advise Members of the level of compliance with the IPF Toolkit in relation to local authority Audit Committees and their effectiveness.
- 1.2 To provide Members with the results of the review and options for discussion and approval to ensure that the requirements of the IPF guidance are fulfilled and the Audit Commission feedback in relation to the Use of Resources assessments is appropriately addressed.

2. State link(s) with Council Plan Priorities and actions and/or other Strategies:

- 2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.
- 2.2 Internal audit forms a key element within the revised Use of Resources assessment and will continue to be part of the CAA from 2009 onwards. The report on the effectiveness of the Audit Committee ensure that the requirements of the CAA assessment are fulfilled.

3. Recommendations

- 3.1 The Audit Committee notes the outcome of the assessment against and current level of compliance with the IPF Toolkit.

3.2 The Audit Committee identifies any further actions or issues it wishes to address either to improve the effectiveness of the committee or any future assessment process.

3.3 The Audit Committee agrees to the assessment being undertaken on an annual basis from 2009/10 and the item included on the annual work and agenda plan which is presented to the Committee at the start of the municipal year.

4. Reason for recommendation(s)

4.1 The external audit feedback as part of the Use of Resources assessment included a recommendation that the assessment of the effectiveness of the Audit Committee was undertaken on an annual basis.

4.2 The last assessment of the effectiveness of the Audit Committee was completed in 2007/08. Undertaking the assessment on a more regular basis would represent best practice and provide an opportunity for Audit Committee members to consider options to develop their role and responsibilities.

5. Other options considered

5.1 Not applicable

6. Summary

6.1 The Audit Committee has responsibility for audit, governance and risk management across the Council. A review of the effectiveness of the Audit Committee is considered best practice and was recommended to be undertaken on a more regular basis by the Council's external auditors.

6.2 This report looks at the work and operation of the Audit Committee measured against the IPF Toolkit. The details within the report have been compiled from the agendas, reports and minutes of the Audit Committee during the 2008/09 municipal year.

7. Head of Legal Services Comments

7.1 The Head of Legal Services has been consulted in the preparation of this report, and notes that the processes and procedures adopted all follow published best practice guidance. Accordingly, there are no direct legal implications arising out of the recommendations in the report.

8. Chief Financial Officer Comments

8.1 The Chief Financial Officer notes the report and in particular that the UOR feedback did not identify any issues with the Audit Committee of its effectiveness. The proposal to assess the effectiveness of the Audit Committee on an annual basis is supported to ensure on-going rigour.

9. Head of Procurement Comments

9.1 Not applicable

10. Equalities and Community Cohesion Comments

10.1 This report deals with the operation and work of the Audit Committee which includes any recommendations made to improve governance and service delivery across all areas of the council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report. Consultation is undertaken with the Audit Committee to review and approve the final version of the report in accordance with the committee's agreed terms of reference.

12. Service Financial Comments

12.1 There are no direct financial implications arising from this report. The work undertaken to produce the report is contained and managed within the Audit and Risk Management revenue budget.

13. Use of appendices

13.1 Appendix A – Completed IPF checklist

14. Local Government (Access to Information) Act 1985

14.1 CIPFA guidance and IPF Toolkit; Council Constitution; Audit Committee Agendas and Minutes.

15. Introduction

- 15.1 In 2006, the Chartered Institute of Public Finance and Accountancy (CIPFA) published guidance in order to assist local authorities promote best practice and ensure their audit committees are effective. This guidance was not mandatory, or prescriptive, but covered the purpose, role and function of an audit committee. Haringey Council complies fully with the CIPFA guidance, as detailed in the report to the Audit Committee meeting in June 2006.
- 15.2 In 2007, the Institute of Public Finance (IPF) produced a toolkit following the release of the CIPFA guidance, which built on the work already completed. The IPF toolkit aimed to provide a more detailed set of advice, give examples and suggest good practice to assist both officers and members who are involved in the operation of an audit committee.
- 15.3 A report was presented to the Audit Committee in October 2007, which assessed the compliance of the Council's Audit Committee against the IPF Toolkit. At that time, the Council's Audit Committee was found to comply with the majority of the requirements listed in the Toolkit.

- 15.4 The external audit feedback as part of the 2009 Use of Resources assessment did not identify any issues with the Audit Committee, or its effectiveness. However, external audit included a recommendation in the Use of Resources report that the assessment of the effectiveness of the Audit Committee was undertaken on an annual basis. This would allow the Audit Committee to consider its operation and effectiveness on a more regular basis and highlight any areas for improvement.
- 15.5 The Audit Committee's annual report to Full Council in November 2009 highlighted the work completed by the committee over the 2008/09 municipal year, including key areas where the recommendations and requests made by the Committee had improved governance and control, including:
- Input into the Council's corporate policies for Whistleblowing, Anti-fraud and Corruption (including Housing Benefit fraud policy), and Risk Management;
 - The Council's corporate risk register;
 - Setting and monitoring deadlines for implementation of internal audit recommendations to improve controls; and
 - Monitoring implementation of key recommendations from external audit and external inspections.

16. IPF Checklist

- 16.1 Although the IPF Toolkit is not mandatory, the issues and actions contained within it are considered to represent best practice. The IPF Toolkit is generic and aimed at all local authority audit committees therefore not all issues will apply, or apply in full, to Haringey Council's Audit Committee. The completed IPF checklist is contained as Appendix A to this report. Where the Council's Audit Committee does not conform to the IPF Toolkit, explanations and/or suggested actions are included within the Appendix.
- 16.2 Members will note that the majority of issues are already undertaken by Haringey and its Audit Committee and therefore the council can be seen to be complying with best practice in most areas. The Comments/Action section indicates those areas where it is considered appropriate for Haringey to take further action and this is highlighted in bold text.
- 16.3 At the time of the last review, Members wanted to ensure that the Audit Committee was a useful tool for the council and that this opportunity to improve effectiveness was used to enable members to become more engaged with the work of the committee. Feedback and input from Members was used to improve various aspects of the Audit Committee. As a result, the following changes were made:
- Agreeing a clear timetable and agenda for the Committee in advance of each municipal year;
 - The timetable and agenda plan identified whether the agenda items were statutory/best practice/ad hoc (from 2009/10, the agenda plan also indicated the links to the Committee's terms of reference);
 - Sending out the summaries of audit reports (as per the quarterly progress reports) on a monthly basis to allow members the opportunity to review any individual reports in more detail and raise any questions and/or request officer or member attendance on a more timely basis; and
 - Changing the quarterly reports from their previous format to make them more 'user-friendly'.

- 16.4 As part of the 2009/10 review, the current Audit Committee work programme was reviewed. This showed that the committee considered other items as part of their agenda which were over and above the IPF Toolkit requirements, for example reviewing external inspection reports and following up progress on agreed actions.
- 16.5 Members are requested to consider any other issues or areas for improvement which would enhance the effectiveness of the Audit Committee.

Appendix A

Audit Committee Review of Effectiveness – IPF Self- assessment Checklist

ESTABLISHMENT, OPERATION AND DUTIES					
Role and remit					
Priority	Issue	Yes	No	N/a	Comments/Action
1	Does the Audit Committee have written terms of reference?	Y			Part of Council Constitution.
1	Do the terms cover the core functions of an audit committee as identified in CIPFA guidance?	Y			Replicate CIPFA best practice template.
1	Are the terms of reference approved by the council and reviewed periodically?	Y			Last updated and approved July 2008, part of ongoing review by Constitution Review Working Group.
1	Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			<p>Membership and authority in accordance with CIPFA guidance. Member Services provide support for:</p> <ul style="list-style-type: none"> • agenda/minutes circulation and clerk to the committee meetings; • Regular agenda planning and report clearing meetings; • Follow up of agreed Audit Committee recommendations, requests and actions. <p>Support to the Chair of the Committee from, and regular 1:1s with, Chief Financial Officer, Head of Audit and Risk Management. Other support and input from Deputy Head of BLT, plus other managers as and when reports and information required.</p>
1	Can the audit committee access other committees and full council as necessary?	Y			Included in Audit Committee Terms of Reference
1	Does the authority's Annual Governance Statement (AGS) include a description of the audit committee's establishment and activities?	Y			Section (g) of the statutory AGS is the specific section requiring details of the Audit Committee and its operation.
2	Does the audit committee periodically assess its own effectiveness?	Y			<p>First review undertaken 2007/08. Agreed to undertake annual review from 2009/10 onwards.</p> <p>Include in annual work and agenda plan for the Audit Committee from 2010/11 onwards.</p>
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	Y			Completed each year – last report presented to Full Council November 2009.
Membership, induction and training					
1	Has the membership of the audit	Y			

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	committee been formally agreed and a quorum set?				
1	Is the chair independent of the executive function?	Y			
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y			Chair previously worked as Manager, Branches Control, Inspection and Audit for Sonali Bank. Ongoing briefings, training sessions and development activities are identified on an ongoing basis via the Member Development programme.
1	Are new audit committee members provided with an appropriate induction?	Y			Introduction to internal audit, external audit and the role of the audit committee provided each municipal year.
1	Have all members' skills and experiences been assessed and training given for identified gaps?	Y			Part of the Member Development and Learning Strategy.
1	Has each member declared his or her business interests?	Y			Part of the Council's overall governance framework (Members declarations of interest are published, or available), and declarations of interest are required prior to the start of each Audit Committee meeting.
2	Are members sufficiently independent of the other key committees of the council?	Y			Vice-Chair of Audit Committee sits on Overview and Scrutiny Committee.
Meetings					
1	Does the audit committee meet regularly?	Y			Quarterly meetings of the Audit Committee held as a minimum.
1	Do the terms of reference set out the frequency of meetings?		N		Terms of Reference reviewed on an annual basis to ensure compliance with CIPFA Code of Practice. No gaps identified – CIPFA Code does not include this requirement. No further action suggested.
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			Quarterly meetings held, plus additional meeting in place to deal with outstanding issues. Usually five meetings held per municipal year.
1	Are members attending meetings	Y			Attendance details included in the Audit Committee's 2008/09 annual report to Full

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	on a regular basis, and if not, is appropriate action taken?				Council.
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 officer or deputy attend all meetings?	Y			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			Audit Committee terms of reference includes its ability to require attendance by any officer or Member at its meetings. During 2009/10, Director of CYPS, Assistant Director of CYPS, Assistant Director of Strategic Housing Services, and Head of Corporate Policy and Performance attended the Committee
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Annual internal audit report and AGS, both of which include a review and opinion on the effectiveness of the system of internal control, are produced and presented to the Audit Committee for review and approval.
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			Draft AGS is presented for review and approval, feedback and comments incorporated into the final version which is submitted to the Audit Committee for information.
1	Does the audit committee consider how meaningful the AGS is?	Y			Audit Committee input into the draft AGS prior to approval with the accounts.
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Annual audit report and AGS cover whole financial year. Internal audit reports on key financial systems are completed on an annual basis External audit report provides opinion on internal audit
1	Has the audit committee considered how it integrates with other committees that may have responsibility for			N/A	Audit Committee has responsibility for council's overall risk management strategy. No further actions suggested.

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	risk management?				
1	Has the audit committee (with delegated responsibility) or the full council adopted “Managing the Risk of Fraud – Actions to Counter Fraud and Corruption”?	Y			
1	Does the audit committee ensure that “Actions to Counter Fraud and Corruption” are being implemented?	Y			Quarterly reports include HB counter-fraud activity and internal audit investigations Annual audit plan has resources for proactive anti-fraud work and reports are provided to the committee
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			Internal audit strategy includes the relationship between risk management and internal audit. Annual audit plan identifies key risk areas as highlighted by business unit and departmental risk registers.
2	Does the audit committee review the authority’s strategic risk register at least annually?	Y			Presented annually for review
2	Does the audit committee monitor how the authority assesses its risk?	Y			Risk Management Strategy reviewed and approved by the Audit Committee
2	Do the audit committee’s terms of reference include oversight of the risk management process?	Y			
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee’s role in the consideration and/or approval of the annual accounts clearly defined?	Y			Role in accordance with the CIPFA best practice model
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements made • large write offs • changes in accounting 	Y Y Y		N	Audit Committee terms of reference set out the role and responsibility in relation to statement of accounts which complies fully with CIPFA Code of Practice. No further actions suggested. Constitution specifies process and approval limits. Outside the remit of the Audit Committee

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	<ul style="list-style-type: none"> • treatment • the reasonableness of accounting estimates • the narrative aspects of reporting? 		N		Outside the remit of the Audit Committee
			N		Outside the remit of the Audit Committee
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			
1	Does the audit committee review management's letter of representation?	Y			
2	Does the audit committee annually review the accounting policies of the authority?	Y			
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			Briefing session provided by Head of Corporate Finance and Head of Finance.
2	Does the audit committee have a mechanism to keep it aware of topical, legal and regulatory issues, for example by receiving circulars and through training?	Y			Reports on latest legal/regulatory issues and best practice provided to the Audit Committee as they arise e.g. National Fraud Initiative, Anti-money laundering regulations
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			

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1	Does internal audit have an appropriate reporting line to the audit committee?	Y			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			Quarterly and annual reports provided to the Audit Committee, monthly reports on internal audit activity provided to Audit Committee members.
1	Are follow up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			Detailed summaries of progress on implementing audit recommendations are provided to every Audit Committee
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?		N		Chair of Audit Committee holds monthly 1:1 meetings with Head of Audit and Risk Management. Terms of Reference allow for the Committee to question officers.
1	Is there appropriate cooperation between the internal and external auditors?	Y			Quarterly meetings held to discuss and review work and plans. Full reliance placed on internal audit's work.
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			Considered as part of the tender process for internal audit services. Options for service delivery provided for decision prior to last tender. Annual audit strategy considers resource requirements.
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom?	Y			Annual independent peer review of the internal audit service is undertaken and the results reported to Audit Committee.
2	Are internal audit performance measures monitored by the audit committee?	Y			Part of quarterly reports
2	Has the audit committee considered the information it wishes to receive from internal audit?	Y			Audit committee work and agenda plan presented to the first meeting of each municipal year for approval. Additional requests for information and reports are made during the Committee meetings.

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EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y			
1	Does the audit committee hold periodic private discussions with the external auditor?		N		Terms of Reference allow for the Committee to commission work from external audit.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			Chief Financial Officer provides report and action plan in response to the external audit recommendations
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Y			Interim reports provided on quarterly basis, final reports presented.
1	Does the audit committee assess the performance of external audit?	Y			Part of the regular reporting process to Audit Committee.
1	Does the audit committee consider and approve the external audit fee?		N		External audit fee is presented to the Audit Committee
ADMINISTRATION					
Agenda management					
1	Does the audit committee have a designated secretary from Committee/ Secretary Services?				Member Services provide support for: <ul style="list-style-type: none"> • agenda/minutes circulation and clerk to the committee meetings; • Regular agenda planning and report clearing meetings; • Follow up of agreed Audit Committee recommendations, requests and actions.
1	Are agenda papers circulated in advance of meetings to allow	Y			Circulated 1 week in advance in accordance with agreed timescales.

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	adequate preparation by audit committee members?				
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?			N/A	New items of urgent business are considered as part of the Council's standard committee meeting process.
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time and in a format that is effective?	Y			Quarterly reports are in the agreed format and contain all required information. Monthly reports on Internal Audit activity are provided to all Audit Committee members.
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and contents of papers to be presented?			N/A	The Council has an agreed standard reporting format which specifies key content items within each committee report.
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?		N		Committee Clerk circulates details of actions agreed, plus any information requested, to Audit Committee members prior to each meeting to ensure that all member requests and recommendations are addressed.
1	Do action points indicate who is to perform what and by when?	Y			