



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
7 DECEMBER 2006**

ITEM 16

Report of the Head of Audit and
Risk Management

AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST

RECOMMENDATION

- 1.1 To review and approve the self assessment checklist.

SUPPORTING INFORMATION

- 2.1 CIPFA has published guidance on the role of Audit Committees which covers a number of key areas including core functions and features of Audit Committees. The Guidance is deliberately not prescriptive and seeks to assist Councils to address the key principles rather than to propose a single model for all authorities. The Guidance contains a self assessment checklist to measure the effectiveness of an audit committee and this has been completed as shown in Appendix 2.
- 2.2 Overall, this shows that the Authority's Audit and Accounts Committee complies well with the checklist but there are some areas where there is a variation. These concern the information provided to the Committee on the internal audit process, the membership of the Committee itself and the assessment of the skills and knowledge of the Members of the Committee.
- 2.3 The first variation relates to the information obtained by internal audit from the quality control questionnaires (QCQ) that are issued with each final audit report. The Guidance expects that this information is reported to the Audit and Accounts Committee for review. Currently the information received from the questionnaires feeds into the section's internal quality framework. This information is not reported to this Committee. The QCQ needs reviewing to assess whether the questions being asked are still relevant and whether the Audit Section is getting feedback in the right areas. In future, the feedback received via the QCQs will be reported to this Committee as part of the Internal Audit Update on Progress report.
- 2.4 On the second issue, the Guidance favours an Audit Committee drawn from Members independent from other key committees of the Council, and free from executive or scrutiny functions. The Guidance states that:

“to be effective the audit committee needs to be independent from executive and scrutiny. The link with the scrutiny function can be beneficial but the ultimate power of the audit committee could be compromised by too much cross-membership. The audit committee needs to retain the ability to challenge the executive on issues and to report to it on major issues and contraventions.

Therefore cross –membership should not be the norm, and if it is seen as necessary should be restricted to one member from each.”

While adopting this criterion could increase the Audit and Accounts Committee's independence, it may not necessarily be to the benefit of the Committee, as its status could be reduced if senior members did not sit on the Committee.

- 2.5 The third area relates to an assessment being carried out to identify the skills and knowledge of each member of the Committee and to address any identified gaps through the provision of appropriate training. While some training has been provided in the past, it is recognised that scope exists to provide more structured training. This issue will be discussed separately with the Chair and Vice-Chair to determine an appropriate means of providing such training.

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Background papers:	
List of appendices:	Appendix 1 – Implications Appendix 2 – Self Assessment Checklist

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

CIPFA Audit Committee Guidance – Self Assessment Checklist

Issue	Yes	No	N/A	Comment
Terms of Reference				
Have the Committee's Terms of Reference been approved by full Council?	✓			
Do the Terms of Reference follow the CIPFA model?	✓			
Internal Audit Process				
Does the Committee approve the strategic audit approach and the annual programme?	✓			
Is the work of Internal Audit reviewed regularly?	✓			
Are summaries of quality questionnaires from managers reviewed?		✓		
Is the annual report, from the Head of Audit, presented to the Committee?	✓			
External Audit Process				
Are reports on the work of External Audit and other inspection agencies presented to the Committee?	✓			
Does the Committee input into the External Audit programme?	✓			
Does the Committee ensure that Officers are acting on and monitoring action taken to implement recommendations?	✓			
Does the Committee take a role in overseeing: <ul style="list-style-type: none"> risk management strategies 	✓			

Issue	Yes	No	N/A	Comment
<ul style="list-style-type: none"> • internal control statements • anti-fraud arrangements • whistleblowing strategies 				
Membership				
Has the membership of the Committee been formally agreed and a quorum set?	✓			
Is the Chair free of executive or scrutiny functions?	✓			Not on Cabinet. Not a chair of Scrutiny Commission
Are members sufficiently independent of the other key Committees of the Council?		✓		Cabinet members on the Cttee
Have all members' skills and experiences been assessed and training given for identified gaps?		✓		
Can the Committee access other Committees as necessary?	✓			
Meetings				
Does the Committee meet regularly	✓			
Are separate, private meetings held with the External Auditor and the Internal Auditor?	✓			
Are meetings free and open without political influences being displayed?	✓			
Are decisions reached promptly?	✓			
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			

Issue	Yes	No	N/A	Comment
Does the Committee have the benefit of attendance of appropriate Officers at its meetings?	✓			
Training				
Is induction training provided to members?	✓			
Is more advanced training available as required?	✓			
Administration				
Does the Authority's 151 Officer or deputy attend all meetings?	✓			
Are the key Officers available to support the Committee?	✓			