

CITY OF PLYMOUTH

Subject: Audit Committee Self-Assessment Checklist
Committee: Audit Committee
Date: 26th March 2010
Cabinet Member: Cllr Bowyer
CMT Member: Director for Corporate Support
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Ref:
Part: I

Executive Summary:

The Audit Committee is a key component of corporate governance and it brings many benefits to a local authority. Effective working of the Committee is an essential element of the Council's Use of resources assessment under the Comprehensive Area Assessment (CAA).

The Committee is working well and the Authority's External Auditors have commented "the new Audit Committee that is now in place continues to provide effective and robust challenge." However, the Committee wishes to develop still further and has already self-assessed where it has performed well, and identified areas for improvement. It now wishes to self-assess itself against the checklist recommended in CIPFA's "Toolkit for Local Authority Audit Committees"

The attached document is an initial draft assessment completed by Officers which is intended should form the basis of discussion, amendment and agreement by Members of Audit Committee themselves.

Corporate Plan 2009-2012:

The work of the Audit Committee assists the Authority in maintaining high standards of public accountability and probity in the use of public funds.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

None

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment etc.

Audit Committee 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?	✓			
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	✓			
1	Are the terms of reference approved by the council and reviewed periodically?	✓			
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓			
1	Can the audit committee access other committees and full council as necessary?	✓			Chair of Audit Committee is a member Support Services Scrutiny. Other serving Audit Committee Members also serve on other committees. Cabinet Member routinely attends Audit Committee – and is challenged by Audit Committee and takes back comments (if relevant) to Cabinet. Recently agreed Audit Committee Chair to attend Scrutiny to ensure common themes are identified.
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	✓			
2	Does the audit committee periodically assess its own effectiveness?	✓			Recently introduced. (February 5 th training day + March 26 th Audit Committee Self Assessment)

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2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	✓			Now being implemented - 26 th March Audit Committee – draft annual report.
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	✓			Constitution / Terms of Reference
1	Is the chair independent of the executive function?	✓			
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?	✓			
1	Are new audit committee members provided with an appropriate induction?		✓		Has been discussed at training workshop on 5 Feb and agreed that this should be addressed in the future
1	Have all members' skills and experiences been assessed and training given for identified gaps?				Need to liaise with Member Training Team.
1	Has each member declared his or her business interests?	✓			Should have done !?
2	Are members sufficiently independent of the other key committees of the council?	✓			
Meetings					
1	Does the audit committee meet regularly?	✓			

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1	Do the terms of reference set out the frequency of meetings?		✓		No – but committee forward plan (updated each Audit Committee meeting) for Audit Committee identifies calendar of meetings over forthcoming 12 months and planned reports / topics for agendas. Meetings have recently been increased from 4 to 6 p.a.
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	✓			
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	✓			Where elected Members cannot attend, substitute will normally act (included in constitution). Independent Members have attended regularly in the past
1	Are meetings free and open without political influences being displayed?	✓			
1	Does the authority's S151 officer or deputy attend all meetings?	✓			Normally
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	✓			
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?	✓			
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	✓			

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1	Does the audit committee consider how meaningful the AGS is?	✓			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	✓			
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	✓			Audit Committee has responsibility for risk management but links with other committees, eg. scrutiny, are being strengthened.
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"			✓	PCC has not specifically adopted CIPFA's "Red Book" but the examples of best practice and action recommended in particular circumstances have been compared with current practice adopted in Plymouth and the policies in place, which identified no significant variations.
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?			✓	See above
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	✓			
2	Does the audit committee review the authority's strategic risk register at least annually?	✓			Twice yearly.
2	Does the audit committee monitor how the authority assesses its risk?	✓			
2	Do the audit committee's terms of reference include oversight of the risk management process?	✓			
FINANCIAL REPORTING AND REGULATORY MATTERS					

ESTABLISHMENT, OPERATION AND DUTIES					
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1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	✓			Terms of Reference
1	Does the audit committee consider specifically: • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?				In part – could be improved.
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?	✓			
1	Does the audit committee review management's letter of representation?	✓			
2	Does the audit committee annually review the accounting policies of the authority?	✓			Annual / periodic review of amendments to Financial Regulations.
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	✓			Specific annual accounts training (June + September) and periodic update training, eg. regular updates to Audit Committee on IFRS

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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?	✓			Specific updating training at both routine Audit Committee meetings (eg. IFRS) and ad hoc training sessions (eg. Treasury Management training 22 nd Jan. and training workshop 5 th Feb. Also inclusion on Audit Committee agenda or raised as part of urgent business.
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?	✓			
1	Does internal audit have an appropriate reporting line to the audit committee?	✓			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	✓			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	✓			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?		✓		Private talks held with Chair of Audit Committee.
1	Is there appropriate cooperation between the internal and external auditors?	✓			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	✓			

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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?	✓			Based on periodic reports from Chief Auditor and regular reports from external audit's review, which assesses IA against CIPFA code.
2	Are internal audit performance measures monitored by the audit committee?	✓			
2	Has the audit committee considered the information it wishes to receive from internal audit?	✓			Ongoing – but most recently considered at Audit Committee training workshop.
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?	✓			
1	Does the audit committee hold periodic private discussions with the external auditor?	✓			At least 1 over the past year but this could be formalised
1	Does the audit committee review the external auditor's annual report to those charged with governance?	✓			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓			eg. UoR action plans monitored by Audit Committee.
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?	✓			Reports by External Auditors are presented to Audit Committee but not those covered by other agencies, eg. Ofsted, Care Commissioners etc

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1	Does the audit committee assess the performance of external audit?	✓			In part, where opportunity to challenge arises when external audit reports presented to Audit Committee.
1	Does the audit committee consider and approve the external audit fee?	✓			
ADMINISTRATION					
Agenda management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	✓			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	✓			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓			
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?		✓		
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓			
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?		✓		Format of reports tends to follow corporate standard.

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Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?				Promptness could be improved.
1	Is a report on matters arising made and minuted at the audit committee's next meeting?				Recently agreed that this be implemented.
1	Do action points indicate who is to perform what and by when?		✓		In part – being strengthened.