

**Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety**

Report to:	<b>Audit Committee</b>
Date:	<b>12 November 2012</b>
Subject:	<b>Lincolnshire Audit Committee Forum</b>

**Summary:**

This report provides the Audit Committee information on the recently held Audit Committee Forum meeting held on the 3rd October 2012. The aim of the forum is for Audit Committee members to meet and share good practice and experience .

**Recommendation(s):**

Consider the contents of the report and agree any actions, if any, that the Committee feel will improve its effectiveness.

**Background**

- 1.1 The Audit Committee Forum met on the 3<sup>rd</sup> October 2012. The turnout was good with representation from different public sector bodies. The event covered two topics:
- New Public Audit Arrangements
  - Getting the most out of your assurance arrangements (Changing face of good governance - trusting people to deliver and holding them to account)

**New Public Audit Arrangements**

- 1.2 KPMG attended and provided an update on the new Public Audit Arrangements. Some of the key messages:
- Financial Statements – Getting it right first time. Current practice in Local Authorities is to present ‘draft’ accounts for auditing with some ‘loose’ ends to be firmed up. Fee reduction based on accounts being ready for audit ‘final’ with no gaps and supported by good working papers.

**Suggested Action:**

Assurance from Section 151 Officer on lessons learnt from 2011/12 closure of accounts and that they have confidence in the Quality Assurance processes in place – particularly relevant if work undertaken by a third party.

- Reliance will be placed on Internal Audit wherever possible on fundamental financial systems.

**Suggested Action:**

Protocol developed that clarifies expectations and makes the best use of the combined Audit resource.

- Some questions were asked about when client engagement would commence There are some specific 'rules' prescribed by the Audit Commission on client engagement ie new providers could formally act with effect from the 1<sup>st</sup> November.

A copy of KPMG presentation is attached in Appendix A.

**Governance & Assurance Arrangements**

- 1.3 Two interactive sessions were held to explore share good practice and experiences. Feedback from these sessions captured views on ways to make Audit Committees more effective. The key messages are outlined below:

***Be proactive and focus on what's important***

Ensuring that the audit committee's agenda focuses on the key issues takes some work! Some ways to do this are:

- Play a more active role in setting the agenda – consider having a meeting with the Chair of the Committee a few weeks before the committee to help pull together the agenda.
- Use the Annual Governance Statement / Strategic Risk Register and other annual reports to help set an annual work plan.
- The work plan should be focused but flexible to enable the committee to delve deeper into issues as they arise.
- Keep informed of what's happening – do Directors keep you up to date? Should Directors keep you informed rather than wait to be asked?
- Have a good flow of information between the Board (or equivalent), Internal and External Audit and the Audit Committee. Meet in private (informally) if appropriate. It's important to let them know what the committee expects of them – both through the formal meetings and informally. Encourage (expect) frequent communications with the Head of Internal Audit and External Audit engagement partner.

- Understand the level of risk your organisation is prepared to take and how effective risk management is in practice. What's the risk culture – has there been any near misses – has lessons been learnt?
- Ensure you understand the accountability framework of the organisation.
- Understand how technology and innovation are changing the control environment and what levels of assurances are needed.
- Focus on the organisation transformational programmes – New strategies should appropriately balance risk and reward. Make sure risk and strategy is discussed together – each hinges on each other.
- A key area of focus is business resilience and reputational risk – gain assurances on how management are addressing these risks. Ensure that you are familiar with the key risks facing the organisations / the key priorities and key projects. Understand and assess the assurances in place on these and how they are being managed.
- Take a hard look at how effective you have been as a committee – have you made a difference in how the organisation is run?

### **Making the most of your meetings**

- Ensure that reports focus on key messages and action being taken to give assurance.
- Review work plans at each meeting – ensure that they do not have too much on the agenda - need to have sufficient time to constructively challenge what being told.
- Ensure the right people attend the meeting eg Senior Managers to explain how they are delivering agreed actions and providing assurance.
- Schedule your meetings to help ensure attendance and debate
- Meet up before the Committee starts to share thoughts and views on agenda papers and key issues / questions to ask to seek assurances on what actions being taken.
- Given the breadth of topics the audit committee may consider it is becoming more common to have 5 – 6 meeting a year. This helps the committee focus on it's core terms of reference and delve deeper into key areas.
- Some other questions you may consider:
  - Is the audit committee hearing views below and beyond senior management eg from middle management and business unit leaders and other third parties?

- Does the information being presented by the Auditors tell a consistent story? What's being said by the customers, employees etc?
- Does the organisation promote a culture of candor and constructive challenge – where raising red flags and challenging information (no matter how unpalatable) is welcomed.

**Consider if the Audit Committee has the right mix of members**

- Given the complexity of accounting arrangements it's helpful to have a member with some understanding of financial statements / accounts.
- Consider having an independent member on the committee to bring different views and perspectives.
- Have regular training on relevant topics.
- Try and attend other organisations Audit Committees to see how they operate – you can pick up tips from other sectors eg Health / Housing Associations.

1.4 There were a number of potential future topics of the Audit Committee Forum. These include:

- Understanding risk appetite and the risk culture of your organisation
- Sharing good practice on assurance arrangements
- Understanding any changes in good governance guidance (due out early 2013).
- Update on counter fraud – including Protecting the Public Purse and Fighting Fraud Locally.

1.4 Currently organisations are represented from local authorities, health and the University. It was suggested that audit committee chairs from housing associations, clinical commissioning groups and the education sector should be also invited.

**Suggested Action:**

Consider extending an invite to the above organisations.

**Conclusion**

2.1 Feedback on the Audit Committee Forum was overwhelmingly positive - with attendees going away with more insight on how other audit committees operate and feeling better equipped to carry out their role as a member of the Audit Committee. On this basis it was agreed to continue with the forum.

## Consultation

### a) Policy Proofing Actions Required

Not applicable

## Appendices

These are listed below and attached at the back of the report	
Appendix A	KPMG presentation
Appendix B	Presentation on governance and assurance arrangements

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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