

## Regulatory and Other Committee

### Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

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| Report to: | <b>Audit Committee</b>                         |
| Date:      | <b>20 June 2016</b>                            |
| Subject:   | <b>Audit Committee Annual Report July 2016</b> |

#### Summary:

This paper provides the results of the workshop held on 6th May 2016 which looked at the effectiveness of the Audit Committee - helping to identify any areas of improvement.

It also provides an outline for the Audit Committee Annual Report 2016.

#### Recommendation(s):

That the Audit Committee:

1. Approves the proposed improvement actions, subject to any changes it wishes to make
2. Agree that the Chairman and Vice Chairman, in consultation with other members of the Audit Committee, draft the annual report

#### Background

1. On the 6<sup>th</sup> May 2016 the Audit Committee held a workshop to review its effectiveness - with the following members of the Committee in attendance:
  - Cllr Sneath
  - Cllr Webb
  - Cllr Jackson
  - Cllr Wood
  - Mr David Finch
2. The workshop reviewed its key areas of activity looking at:
  - What went well
  - What we could do better
  - What difference we have made
  - Message to full Council

3. The workshop also discussed its effectiveness – using KPMG Audit Committee Institute ‘Effective audit committee meetings: warning signals and potential responses’ as a guide.
4. We also completed the CIPFA Audit Committee Good Practice self-assessment - attached in Appendix A.
5. The key messages arising out of the workshop were:

#### **Internal Audit**

- Good working relationship with Internal Audit being responsive, professional and effective.
- Combined Assurance works well
- Value private meeting
- Value open and constructive (challenging) discussions with audit and senior managers
- External Quality Assessment will help provide independent assessment
- Key messages to the Council:
  - Independent and correct access rights
  - Adequate resources
  - Some information of delivery and performance

#### **External Audit**

- Good working relationship and attendance
- Values pragmatic approach to working through the issues of closedown of accounts
- Value of private meeting and transparency of discussions
- Key message to the Council – would welcome feedback from KPMG on the Audit Committees effectiveness

#### **Governance, risk and control**

- Outcome of whistleblowing and counter fraud provided insight on how effective the arrangements are.
- More assurance needed over the key risks facing the Council on the balancing of the budget and effective service delivery
- Committee hasn’t looked at complaints so don’t know if there any issues – need to be more forceful in requirements on agenda items
- Key message to the Council:
  - People can be confident in the governance framework and that whistleblowing works effectively
  - Executive (audit ctte?? need more frequent review of strategic risks
  - Significant governance issues – Agresso / Serco – Malware attack (report and learning)

#### **Accounts**

- Being kept up to date on the risks and progress
- Key message to the Council (possibly the Executive) – remains a concern re timeliness and qualification

#### **Standards**

- One standards panel work held this year but no other work

- Key message to the Council – need assurances around terms of reference on standards – will build into work plan and liaise with Monitoring Officer

### **Effectiveness of the Audit Committee Meetings**

- Generally worked well but there were the following observations were made:
  - Help people feel confident to speak up
  - Need to raise awareness with officers on the role and remit of the committee – help minimise discussions and debate becoming too operational. Papers need to be written for the audit committee's role and members need to manage the desire to personally influence and solve the issue. (differentiate between the councillor role vs Audit Committee role)
  - Briefing and update on key risks (between meetings)
  - Would welcome an additional independent member
  - Value private meetings with internal and external audit – perhaps have more often?
  - End the meeting with a short debrief / post meeting lunch
  - Some of the meetings have been very long – this creates time pressures on the debate and ability to challenge (concentration and hungry!).

6. It was proposed that the Annual Report format used in 2014 should still be followed for this year's report and it was suggested that Lucy Pledge, Audit and Risk Manager to move the drafting of the Annual Report forward with Chairman and Vice Chairman. The draft report should be considered at the July Committee and presented to full Council in September. An outline of the report is attached in Appendix B.

### **Conclusion**

The Audit Committee continues to play a vital role in the Council's assurance arrangements – promoting good governance and accountability.

It remains effective but seeks to continually improve the way it works and the impact it has. The workshop has identified a number of areas of improvement which will help in this regard.

Good practice advocates publishing an Annual Report and the Audit Committee aims to do this – presenting the report to full Council at its September meeting.

### **Consultation**

#### **a) Policy Proofing Actions Required**

N/A

## Appendices

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| These are listed below and attached at the back of the report |   |
| Appendix A  | CIPFA Audit Committee Good Practice Self-assessment |
| Appendix B  | Outline Audit Committee Annual Report               |

## Background Papers

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

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk).