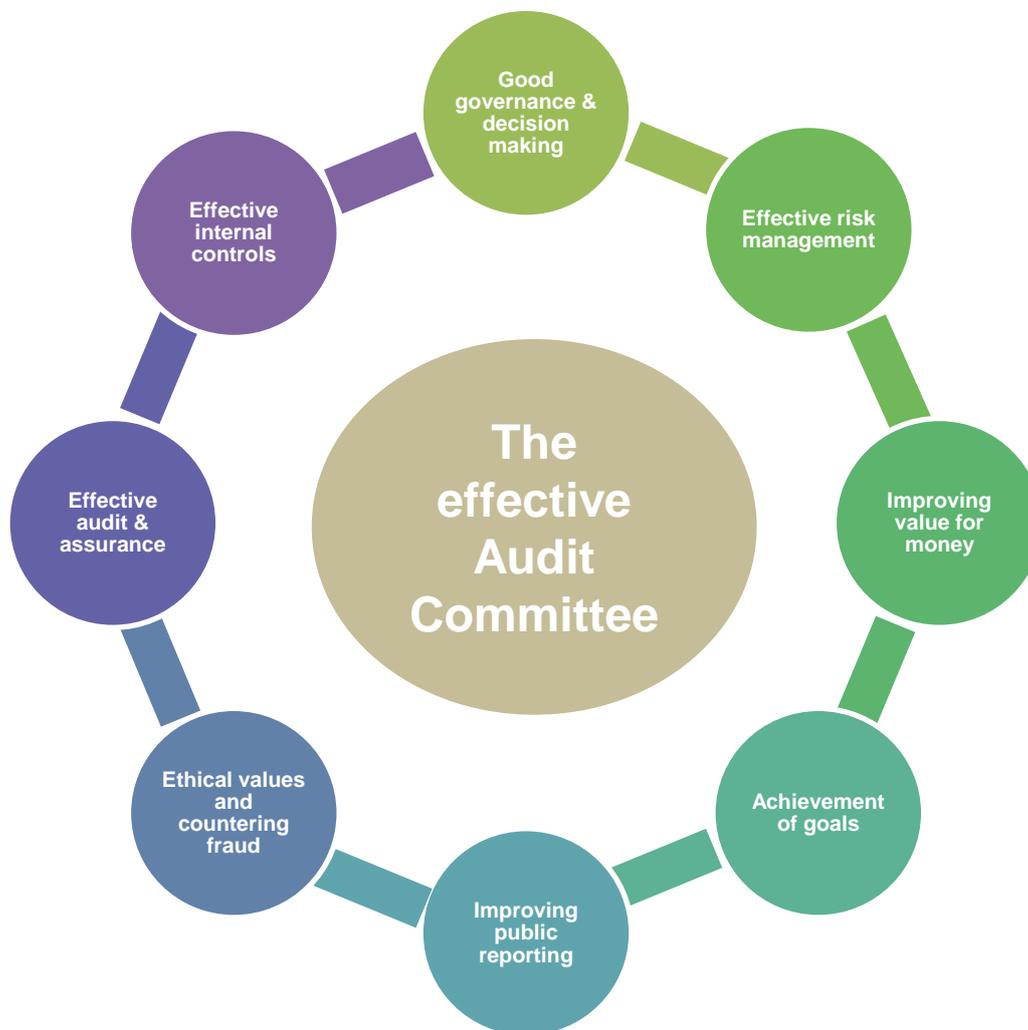


# Audit Committee Annual Report Appendix B

## Outcomes of the Audit Committee Training on 26 March 2018

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2018



To support the effectiveness of the Committee, a training session was held on 26<sup>th</sup> March 2018 which looked at 3 aspects of the Committee's function.

- ❖ The Audit Committee Annual Report
- ❖ Supporting the Committee to be effective
- ❖ The Audit Committee Work Plan for 2018/19

At the end of each section, the Committee members were given an opportunity to discuss the topic covered and ask questions

## The Audit Committee Annual Report

*An effective Audit Committee should:-*

*.....at least annually, report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.*

*CIPFA position statement: Audit Committees in Local Authorities and Police 2018*

At the end of this section of the presentation, the Committee members were given an opportunity to discuss: what went well, what could be better and how to improve the Committee Work Plan

### Key messages

- Mostly the Committee works well and the members are positive. They feel they have a good relationship with management and can ask challenging questions and expect honest answers.
- The Committee have wide ranging skills and experience but would like to have a second independent member to extend the skills available to call on.
- They suggested a private meeting with minutes, could be held to discuss particularly contentious subjects – allowing greater openness
- The Committee would like more joined up working with other committees e.g. OSMB and knowledge sharing enabling Audit Committee members to share relevant information gleaned from other Committees.
- More appropriate training e.g. the financial statements, their counter fraud responsibilities
- Revisit the reports – make them clearer.
- Reports to be written and presented by the Head of Service to avoid confusion and straying into operational areas.
- The work plan needs to reflect the increased impact of commercialism and the potential risks involved.

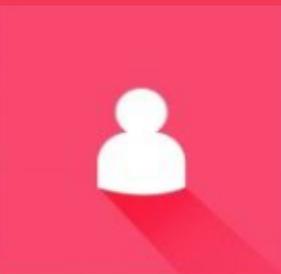
**What the Committee does well:-**



It encourages a healthy debate and varied opinions. All members feel able to speak without being rushed and each topic is given the time it requires.

The majority of Committee members feel able to contribute constructively to discussions.

The Committee is able to remain objective and avoid political issues and understands that risk and assurance is central to its purpose.



The Committee has good relationships with management/officers – they get honest and constructive responses to challenging questions they pose.

Transparency at meetings – the Committee is able to ask challenging questions without experiencing hostility from senior managers.



Committee members have wide knowledge base, with a diverse range of experience and opinions.

**Update:-**

Agreement has been received to recruit a second independent member for the Committee – this will increase the knowledge and range of experience available.



## What could be done differently or done better?

Reports could be clearer to better steer discussions and avoid going into operational matters.



Cover reports should be written by the Head of Service to avoid confusion over the role of audit in the subject matter of the report.

Use combined reports where issues in other areas which stem from one central problem area, can be pulled together e.g. IT.

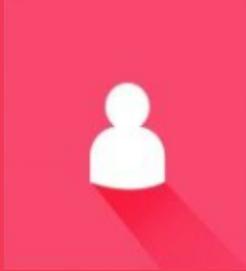


Improved relationship with scrutiny; what to hand over and when, and to receive requests/referrals from scrutiny where assurances need to be sought .

Audit Committee members who sit on other committees could give verbal updates on news and issues which are related to the assurance of the topic being discussed by the Audit Committee

An initial meeting to explore joint working between the Audit Committee and the Overview and Scrutiny Management Board took place on 24<sup>th</sup> May 2019.

The Chairs looked at the Terms of Reference for both groups to identify any areas of overlap or similarity.



The most senior Officer should present to the Committee, ensuring that assurance on report recommendations is highlighted. This will allow challenge by the Committee and get a clearer indication of planning and timescales with an escalation process if improvements are not delivered.



Hold a private debrief (with minutes taken) after the main Committee meeting to allow topics to be discussed with greater openness.



**Revisit Audit Committee Skills Matrix:-**

- Training on financial reporting – so the Committee better understands their responsibilities re the Statement of Account
- Training on counter fraud to enable the Committee to better understand and carry out their responsibilities
- Revisit gifts and hospitality policy

**Update:-**

- Training on financial reporting is taking place as part of the June 2018 Committee meeting
- Training on counter fraud will take place as part of July 2018 meeting
- Further training needs may be identified as a result of the Audit Committee Skills Survey 2018 which will take place shortly

The Lincolnshire Audit Committee Forum will take place in the autumn of 2018, when Audit Committee members from the Police, Local Government and the NHS can get together to network and discuss topics that are of interest importance such as cyber risk.

## Thinking about the 2018/19 Audit Committee Work Plan

At the end of this section, the Committee members were given an opportunity to discuss:-

- ❖ What they would like to see on the work plan?
- ❖ Why a topic should be on the plan?
- ❖ When it should be on the plan?
- ❖ Who should bring it to the Committee?

### What should be on the work plan?



demotivating to staff.

- Also files currently in use might not be compatible with cloud software – for better data storage and backing up.
- Delay in moving to paperless offices is having a financial impact on the organisation.
- Personnel turnover in the department making it harder to improve the assurance rating



Better coverage of the risks posed by the lack of contingency planning e.g. the risks around losing senior officers to retirement

Better due diligence on the awarding of contracts – not relying on cost only owing to the increased risks – disconnect between risk appetite and behaviours



Commercialism will have greater impact in future – will it be properly managed? Is the expertise in place to do proper risk assessments? Risk appetite needs to be addressed and an overview of strategic risk including:-

- Gaps in assurances that management will need to address
- Risks associated with IT

Regular review of risk management to be included in work plan

## Why should it be on the work plan?



- Reports need to come to Committee to ensure compliance with the Committee's Terms of Reference – the mandatory topics are covered - Statement of Accounts. They should not go into matters of an operational nature. Report writers require a better understanding of the Committee's role and remit
- Reports that are of significance or requested by the Committee - the Committee needs assurance that the operational and control environment is effective. Where there is a clear area of concern .
- This sends the message that the Audit Committee is more than just finance
- If the Audit Committee does not receive the assurance it requires, the matter can be escalated.

## When should it be on the work plan?



Need to consider timing of reporting – sensitivity around contract renewal periods

If the Committee seeks further assurance on the implementation of recommendations, allowing time for work/results will dictate when it comes back to Committee

## Who should present and how?



**The most senior Officer should present to the Committee.**

**This also reduces the risk of deflection and dilution of responses**

**Reports to be presented to Committee need to meet the Committee's Terms of Reference – they should relate to assurance rather than operational matters – 3 lines of assurance**

## Conclusion

The discussions after each section of the presentation were wide ranging - this paper identifies just the key messages.

Part of the discussion related to what is and is not relevant to the Audit Committee - topics such as the financial risk arising from the National Living Wage rise, the Pensions Scheme and the impact on budgets.

Some of the outcomes from this session have already been addressed and this is shown as updates . Suggestions such as a rethink on how Committee reports are written will take longer to bring about - although the internal audit service is actively looking at their report templates aiming to make them more up to date and accessible.