

AUDIT COMMITTEE – SELF ASSESSMENT AND WORK PLAN

1. SUMMARY

Grant Thornton UK LLP (External Audit) recently evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the CIPFA guidance of 2004 entitled, "Audit committee principles in local authorities in Scotland: a guidance note". The evaluation found that the Audit Committee operated effectively and complied with the majority of good practice principles outlined in the CIPFA guide. Grant Thornton UK LLP provided recommendations in their resultant Interim Management Report of the 30th September 2008, identifying development areas for the Audit Committee namely, self assessment and establishment of an annual work plan.

2. RECOMMENDATION

- 2.1 The Audit Committee formally considers the self assessment checklist.
- 2.2 The Audit Committee formally considers the work plan framework.

3. BACKGROUND

- 3.1 Grant Thornton UK LLP in the Interim Management Report suggested that reference should be made to CIPFA produced templates to assist the Audit Committee with the development of a self assessment checklist and work plan.
- 3.2 Attached in Appendix 1, is a self assessment checklist template which, has been extracted from the Institute of Public Finance (IPF) report "A toolkit for local authority audit committees", amended for Scotland.
- 3.3 Attached in Appendix 2, is a work plan framework template. The template is a useful initial document that will enable the Audit Committee to look at developing an annual work plan with key events and meetings recorded. Three options covering key Audit Committee activities have been provided. Comment has also been provided within Appendix 2 regarding the development of a training plan.
- 3.4 At the last Audit Committee it was requested that a day be arranged for a self assessment exercise to take place. Dates are presently under consideration.

4. CONCLUSION

- 4.1 The templates attached in Appendices 1 & 2 provide a framework for the Audit Committee members to consider how to conduct a self assessment and develop a work plan in line with CIPFA guidelines.

5. IMPLICATIONS

5.1	Policy:	Strengthening control systems
5.2	Financial:	None
5.3	Personnel:	None
5.4	Legal:	None
5.5	Equal Opportunities:	None

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**AUDIT COMMITTEE – SELF ASSESSMENT
CHECKLIST**

Priority	Issue	Yes	No	N/A	Comments/Actions
	Role and remit				
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	Does the audit committee have sufficient membership, authority/power and resources to perform its role effectively and independently?				
1	Can the audit committee access other committees and full council as necessary?				
1	Does the Council statement on internal control include a description of the audit committee's role and activities?				
2	Does the audit committee assess its own effectiveness?				
2	Does the audit committee make a formal annual report on its work and performance during the year to the full Council?				
	Membership, induction and training				
1	Has the membership of the audit committee been formally agreed and a quorum set?				
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 appropriate induction training?				
1	Have all members' skills and experiences been assessed and training given for any gaps identified?				

Priority	Issue	Yes	No	N/A	Comments/Actions
1	Has each member declared his or her business interests?				
2	Are members sufficiently independent of other key committees of the council?				
	Meetings				
1	Does the audit committee meet regularly?				
1	Do the terms of reference set out the frequency of meetings?				
1	Does the audit committee calendar meet the Council's business, governance needs and the financial calendar?				
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?				
1	Are meetings free and open without political influences being displayed?				
1	Does the Council's Section 95 officer or deputy attend all meetings?				
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? Does this include the review of the effectiveness of internal audit?				
1	Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?				
1	Does the audit committee consider how meaningful the SIC is?				
1	Does the audit committee satisfy itself that the system of internal control has operated effectively through out the financial year?				
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?				

Priority	Issue	Yes	No	N/A	Comments/Actions
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"				
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?				
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 Council's strategic risk register at least annually?				
2	Does the audit committee monitor how the Council assesses risk?				
2	Do the audit committee's terms of reference include oversight of the risk management process?				
	FINANCIAL REPORTING AND REGULATORY MATTERS				
1	Is the audit committee's role in the consideration and/or approval of the Council's annual accounts clearly defined?				
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> • 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? 				
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?				

Priority	Issue	Yes	No	N/A	Comments/Actions
2	Does the audit committee annually review the accounting policies of the Council?				
2	Does the audit committee gain an understanding of management's procedures for preparing the Council's annual accounts?				
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?				
	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 Council'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 internal audit including an annual report?				
1	Are follow-up audits by internal audit monitored by the audit committee and does it consider the adequacy of implementation of recommendations?				
1	Does the audit committee hold periodic private discussions with Internal Audit?				
1	Is there appropriate co-operation between the internal and external auditors?				
1	Does the audit committee review the adequacy of internal audit staffing and other resources?				
1	Has the audit committee evaluated whether internal audit complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?				

Priority	Issue	Yes	No	N/A	Comments/Actions
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?				
	EXTERNAL AUDIT				
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?				
1	Does the audit committee hold periodic private discussions with the external auditor?				
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?				
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including those produced by Audit Scotland?				
1	Does the audit committee assess the performance of external audit?				
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?				

Priority	Issue	Yes	No	N/A	Comments/Actions
	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 proforma concerning the format and content of the papers to be presented?				
	Actions arising				
1	Are minutes prepared and circulated promptly to the appropriate people?				
1	Is a report on matters arising made and minuted at the audit committee's next meeting?				
1	Do action points indicate who is to perform what and by when?				

APPENDIX 2

WORK PLAN

Audit Committee Meeting Dates	Responsibility Areas of the Audit Committee									
	Audit Committee option 1	Audit Committee option 2	Audit Committee option 3	Internal Audit	External Audit	Risk Mgt.	Performance Mgt.	Anti- Fraud & Corruption Arrangements	Corporate Governance Arrangements	Accounts
March										
	- Audit Committee Annual Report.		-Work and Training Plan. - Terms of reference. - Self Review. (A work day to carry out the above named tasks)	-Consider internal audit annual audit plan. -Consider follow up of external and internal action points. -Consider IA progress against plan. -Consider IA reports.	-Consider external audit annual audit plan. -Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report.	Quarterly update report.	-Annual report on the National Fraud Initiative. -Annual Review of Anti Fraud and Corruption Arrangements.		Review work plan for completion of annual accounts.
June										
		- Audit Committee Annual Report. -Work and Training Plan. - Terms of reference. - Self Review.	- Audit Committee Annual Report.	- Report on the year. -Consider follow up of external and internal action points. - Consider IA progress against plan. - Consider IA reports.	-Interim audit work review. - Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report.	Quarterly update report.	Annual Review of Fraud Results across the Council.	Review Statements of Control.	Review of un-audited accounts.
September										
	- Self Review. - Terms of reference.			-Private meeting with Internal audit. -Consider follow up of external and internal action points.	-ISA260 Report. -Private meeting with external audit. - Consider external audit	Quarterly update report	Quarterly update report			Review of audited annual accounts

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				- Consider IA progress against plan. - Consider IA reports.	progress against plan. - Consider external audit reports.					
December	-Work and Training Plan			Consider follow up of internal action points. -Consider IA progress against plan. -Consider IA reports.	-Annual audit report. - Consider external audit progress against plan. -Consider external audit reports	Quarterly update report	Quarterly update report		Annual Report on Corporate Governance	

