AUDIT COMMITTEE

AWAY DAY REPORT

22 FEBRUARY 2013

DRAFT

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1.   BACKGROUND

At the request of the Audit Committee a self-assessment awareness day was undertaken by the Audit Committee on 22 February 2013. The Chair welcomed the attendees and set out the objectives for the day. The Chair welcomed the recently appointed Vice Chair. Although there are 5 Councillors who are Members of the Audit Committee both the Audit Chair and Vice-Chair are lay persons.

2.   MEETING AGENDA FOR THE DAY

- § The Influential Audit Committee;
- § The Development Programme;
- § The Audit Committee Terms of Reference; and
- § Performance Indicators.

3.   GRANT THORNTON/CIPFA – THE INFLUENTIAL AUDIT COMMITTEE

The Director of Assurance at Grant Thornton and the Head of CIPFA for the Regions scoped out key issues that determine the effectiveness of an Audit Committee. This provided the opportunity for initial discussion in which the committee members fully participated.

Participants were asked to consider the three key strategic risks facing the Council. Members cited the following risk areas: demographic pressures; inadequate infrastructure and economic challenges within a context of a substantial reduction in government grant over the next seven years. The Audit Committee agreed to focus on risk management, in the first instance on risks set out in the Strategic Risk Register, their currency and their alignment with the Council's key objectives. The Audit Committee defined its key role as that of commissioning work from internal audit or wider management seeking assurance in regard to risk control measures; and through reviewing effectiveness of risk management systems including shared understanding of risk control.

The second challenge given to members was to identify shorter term areas of Council business that needed attention and where success criteria might be worked up that would indicate progress for the Audit Committee. Key areas identified were: welfare reform changes, integration of health and social care and the effectiveness of the CPP. The third challenge posed was how to ensure the Audit Committee had impactful meetings. After discussion members resolved to build in a post Audit Committee review at each meeting to assess their progress in committee development.

Other topics covered by the presentation included corporate governance, relationship between audit and scrutiny and the regulatory and legislative context to audit committee work. In that context it was suggested that the audit committee would communicate key issues arising from its meetings through a brief issues paper to the Council.

4.   PROGRESS REVIEW BY CHAIR of the PERFORMANCE REVIEW AND SCRUTINY (PRS) COMMITTEE

At the beginning of the afternoon session the Chair of the PRS joined the meeting. He provided a short overview of the PRS first meeting which took place on 21 February 2013. The Chair also disseminated the PRS Terms of Reference (ToR) and where he thought there was cross over with the Audit committee ToR. The PRS Chair took the view that there were common areas of oversight with audit work commissioning assurance on control of risk whereas PRS would be seeking improvement in Council performance and scrutinising the process of policy generation.

The meeting then resolved to amend the Audit Committee ToR to take account of areas clearly within the remit of PRS and to develop an on-going working relationship between both Chairs.

5.   THE DEVELOPMENT PROGRAMME

SELF ASSESSMENT QUESTIONNAIRE RESULTS

There were 3 elements contained in the Development Programme section of the day's business, Self-Assessment, Work and Training Plan. The first item was a walk through discussion of the CIPFA self-assessment checklist. The main issues that were identified included whether the Audit Committee takes a role in overseeing Risk Management, Strategies, etc. It was agreed that these issues would be addressed through the Audit Committee's review of the Council's Strategic Risks and their alignment with the Corporate and other plans. The second issue requiring further review covered assessment of member skills and experiences and training given for identified gaps. The decision taken was to review this in line with the development needs of the Audit Committee arising from the proposed post meeting reviews.

ANNUAL WORK PLAN

The members reviewed the current work plan which details the reporting agenda items by quarter. Currently, the Audit Committee receive reports covering External and Internal Audit, Risk Management, Anti-fraud and Corruption, Performance Management, Corporate Governance and Annual Accounts. The members agreed that the current annual work plan was appropriate apart from 2 amendments. Under March the agenda item for Risk Management should be renamed Strategic Risk Register and positioned first and secondly that the Anti-fraud and corruption item should be moved to June when final assurance reports are received by the committee for the financial year 2012 – 2013. An amended draft Work Plan for 2013 – 2014 is set out for approval in Appendix 1.

ANNUAL TRAINING PLAN

The Training Plan focuses on individual and collective training needs of the committee. The collective decision endorsed by the Audit Chair was to defer any decisions on training until members had a clearer understanding of their role as members of the Audit Committee arising from the planned reviews.

6.   AUDIT COMMITTEE TERMS OF REFERENCE (ToR)

The current Terms of Reference which follow the guidance outlined by the Chartered Institute of Public Finance and Accountancy ("CIPFA") was presented for discussion. The members undertook a review of the 4 section headings detailed in their Terms of Reference:

- Audit Activity;
- Regularity Framework;
- Financial Accounts and Governance; and
- Delivery Achievement Monitoring.

Members concentrated their attention on section 4 of the ToR after receiving a short review of the Performance Review and Scrutiny (PRS) Committee ToR by their Chairman. The decision taken in discussion with the Chair of the PRS was that the Audit Committee ToR should be amended with 2 of the items listed under Delivery Achievement Monitoring being removed. It was requested that the Audit Committee ToR should come forward to the June Audit Committee, to be forwarded thereafter for inclusion in any update of the Council Constitution.

As a result an updated Terms of Reference has been prepared and will be set out in a separate report to the June Audit Committee for approval and thereafter will go forward for Council approval.

7.   INTERNAL AUDIT – PERFORMANCE INDICATORS

Members of the Audit Committee were provided with a copy of the Internal Audit - Performance Indicators (PIs) reported annually in June to the committee. A discussion took place on the merits of each of the indicators. One additional indicator was requested and this related to the committee receiving a view from External Audit on Internal Audit performance. The indicators have been duly amended and are attached in Appendix 2.

APPENDIX 1
AUDIT COMMITTEE - ANNUAL WORK PLAN 2013 – 2014

MEETING DATES AND AGENDA ITEMS			
March	**June**	**September**	**December**
1. Strategic Risk and Risk Management • Quarterly Update Report • Progress update on development of Risk Management.	1. Strategic Risk and Risk Management • Quarterly Update Report • Progress update on development of Risk Management.	1. Strategic Risk and Risk Management • Quarterly Update Report • Progress update on development of Risk Management.	1. Strategic Risk and Risk Management • Quarterly Update Report • Progress update on development of Risk Management.
2. Internal Audit • Annual Audit Plan Approval • Follow up Actions Status • Progress against Plan • Completed IA Reports	2. Audit Committee • Annual Report	2.Audit Committee • Self Review	2. Audit Committee • Work and Training Plan • Terms of Reference reviewed to confirm on-going appropriateness.
3. External Audit • Annual Audit Plan • Follow up Actions Status • Progress against Plan • Consider EA Reports	3. Internal Audit • Report on year • Follow up Actions Status • Progress against Plan • Completed IA Reports	3. Internal Audit • Private meeting • Follow up Actions Status • Progress against Plan • Completed IA Reports	3. Internal Audit • Ensure Fraud and 'Data Integrity' linked to Performance management system are included in audit plan development. • Follow up Actions Status • Progress against Plan • Completed IA Reports
4. Performance Management • Quarterly Update Report • Ensure Data Integrity' is included in internal audit plan.	4. External Audit • Interim Audit work review. • Progress against Plan • Consider EA Reports	4. External Audit • ISA260 Report • Private meeting • Progress against Plan • Consider EA Reports	4. External Audit • Annual Audit report. • Progress against Plan • Consider EA Reports
5. Accounts • Accounts Completion - Work Plan review	5. Performance Management • Quarterly Update Report	5. Performance Management • Quarterly Update Report	5. Performance Management • Quarterly Update Report • Review Finalised Scorecards to be adopted by performance management system. • Discuss the implications of Best Value 2 within the Council.

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MEETING DATES AND AGENDA ITEMS			
March	**June**	**September**	**December**
6. Committee Development Review	6. Anti-Fraud & Corruption • Annual Review of fraud results across the Council • Annual report on National Fraud Initiative (NFI). • Review of Anti-Fraud and Corruption arrangements	6. Accounts • Review of audited annual accounts.	6. Corporate Governance Arrangements • Annual Report on Corporate Governance • Consideration of Internal Control Statement. • Consider actions taken to monitor relevant statutory and regulatory issues affecting Council.
	7. Corporate Governance Arrangements • Review Statements of Control	7. Committee Development Review	**7. Committee Development Review**
	8. Accounts • Review of un-audited accounts • Review progress of IFRS implementation and development of management information.		
	9. Committee Development Review		

APPENDIX 2

INPUT PERFORMANCE MEASURES 2012 – 2013

Ref	Performance Indicator	Target	Achieved 2012- 13	Comment
1.	Percentage of audit work carried out by qualified and specialist staff.	65%		
2.	Issue of draft reports within 10 working days of work being completed.	10 days – 100%		
3.	Issue of final reports within 5 working days of management responses being received.	5 days – 100%		
4.	Reports display: clear opinion; action plan of prioritised recommendations and management responses; a person responsible; and date for completion.	All reports (100%) state a clear conclusion/opinion; contain an action plan, prioritised recommendations, allocated responsibility and target dates for completing recommendations.		
5.	Management's feed back on audit planning and fieldwork.	To achieve 'average' or better in questionnaire ratings. (i.e.: a mean score of '3' or more for each question		
6.	Percentage of direct audit time	Target 81%		

OUTPUT PERFORMANCE MEASURES 2012 – 2013

Ref	Performance indicator	Target	Achieved 2012- 13	Comment
1.	Audit operational plan to be submitted to the Audit Committee by 31 March each year.	31 March of each year (100%)		
2.	Follow-ups to be performed within one year of the audit-taking place.	100% of recommendations followed up in following year		
3.	Completion of the Annual Audit Plan subject to variations agreed by Audit Committee.	100%		
4.	Recommendations accepted compared to recommendations made.	Fundamental/High – 100% Material/Medium – 100% Minor/Low – 100%		
5.	Internal audit costs are within budget (including in-year budget variations)	Total costs were within budget.		
6.	External audit comment on internal audit performance	External audit places reliance on internal audit.		