

CIPFA Survey Results

Earlier this year heads of internal audit in local government were sent a survey by CIPFA to ask about the current arrangements for audit committees in local government. 366 surveys were sent out and 44% were returned. The aim of the survey was to find out how the audit committee role was currently being delivered in local government and to see what topics are regularly on the audit committee agenda. Heads of internal audit were also asked where their audit committee was most effective and to identify any barriers to improvement.

CIPFA will use the results to inform its development of guidance and support to audit committees. For audit committee members and those who support audit committees the survey provides a useful snapshot of where we are now, what is working well and what could be better.

Key findings from the survey

Structure and role

The most common structure for the audit committee was a stand alone committee reporting to full council (58%) and a further 23% had joint audit and governance committees. The majority of committees are made up of councillors, but 30% do include at least one co-opted independent representative. One third of committees currently include a member of the executive or cabinet.

Current recommended practice is that a member of the executive should not chair the committee; however a minority (9%) do have this arrangement. In 57% of cases the audit committee chair was a member of the ruling party group on the council.

Audit Committee agendas

We asked a number of questions to find out what topics were on audit committee agendas. The Annual Governance Statement was reviewed by almost all English, Welsh and Northern Irish audit committees whereas 67% of Scottish authorities reviewed the Statement on Internal Financial Control. Reviews of internal audit reports and plans were reviewed almost universally.

73% of councils follow the recommended practice of reviewing the financial statements prior to their approval but 75% of councils were also approving them. With the recent changes under the Accounts and Audit Regulations 2011 it might be an appropriate time to review the role of the audit committee in relation to approving the accounts.

Other agenda areas received a significant response but perhaps still provide opportunities for improvement. Strategic risk registers were seen by 77% of committees but only 53% also reviewed specific risk areas. It is perhaps of concern that some committees reviewing the Annual Governance Statement are not keeping up to date with the council's strategic risks.

48% of committees reviewed value for money arrangements and only 41% reviewed a fraud risk assessment. However, 67% would review the results of a fraud investigation. Again this highlights areas where audit committees could be more aware of the risks and performance of their council.

Effectiveness

We asked heads of internal audit for their opinions on the effectiveness of the audit committee.

The strongest results were for the committees' support for the internal and external audit process. However few found the committee to be very effective in promoting good governance (11%) or providing accountability to the public (15%). The weakest areas overall were those relating to partnerships.

The survey has highlighted areas for improvement, in particular to develop how the committee interacts with partner organisations and provides leadership on good governance and accountability.

Barriers to improvement

The most common barriers to improvement were the limited knowledge or experience of the audit committee members (50%) and turnover of committee membership (44%). Clearly there is a linkage between these two factors as it is difficult to develop knowledge and experience if a member's time on the committee is short. Unitary councils highlighted the greatest number of barriers, for example 65% of respondents highlighted limited knowledge and experience as a barrier.

The intrusion of political interests was only cited as a factor by 27% overall, but in unitary councils the response was greater at 42%.

Future changes

The survey was undertaken before the publication of the Government's consultation document on the Future of Local Public Audit. The majority of respondents (78%) were not planning any major changes to their audit committee. Over half expected the role of the audit committee to stay the same, whilst 43% expected it to expand. Only 1% expected the role to shrink.

Further information

A more detailed breakdown of the results will be available on the Better Governance Forum website. <http://www.cipfanetworks.net/governance/>

Where now for audit committees?

CIPFA will make use of the information to ensure that its guidance, training and support for audit committees will help to address key development needs. In local government changes to the role of audit committees will come about as a result of the Local Government Measure in Wales and the government's proposals in its current consultation. CIPFA will be able to use the survey to identify the changes required to meet future requirements.

It is recommended that audit committees regularly review their terms of reference and their effectiveness. The results of this survey will provide a useful input to that process and may help the committee to identify areas where it could improve.

I have included a few key questions to help this self assessment and reflection process.

Key Questions to ask:	
1.	Does our current structure still meet the council's needs? Does it meet recommended practice and is it a good base on which to build for the future?
1.	Are our agendas looking at the right things? Do we get assurance on everything we need?
1.	Are we effective in promoting good governance and providing accountability? How could we improve?
1.	What are our barriers to improvement? What can be done about them?
1.	How will our audit committee be affected by government proposals? Are there any steps we should start to take now?