

Report to	Audit Committee
Date	18 January 2012
By	Chief Finance Officer
Title of Report	Review of the Effectiveness of the Audit Committee
Purpose of Report	To present an assessment of the effectiveness of the Audit Committee for consideration by members

Recommendation: The Audit Committee is recommended to

- 1) consider the assessment of effectiveness of the Audit Committee and provides feedback on the issues raised**
 - 2) agree the recommended actions set out in para 1.6**
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1. Introduction

- 1.1 Strong and effective governance arrangements contribute to the achievement of the Authority's priorities and the Audit Committee has a key role to play in this.
- 1.2 Best practice now suggests that there should be a regular review of the effectiveness of the Audit Committee. During 2010 when the Audit Committee was established consideration was given to ensuring arrangements met best practice guidance. One of the tools used was the National Audit Office publication entitled "The Audit Committee Self-Assessment Checklist" (the "NAO Checklist"). An example of the actions taken as a result of that thought process was the appointment of two independent members with skills that would enhance the effectiveness of the committee. During 2011 the South Downs National Park Authority (SDNPA) updated its constitution and within this the Audit Committee's terms of reference were reviewed and updated.
- 1.3 Owing to the relatively recent consideration that has been given to the effectiveness of the Audit Committee it is suggested that a simple light touch review would be appropriate at this time. The Chief Finance Officer has therefore undertaken a preliminary assessment of the effectiveness of the Audit Committee against the NAO Checklist and the findings are summarised at **Appendix 1**. It is for the Audit Committee Members themselves to determine whether they agree with the assessment and recommendations and propose changes or new considerations as appropriate. If there are a number of questions or concerns that cannot immediately be resolved then it may be appropriate to set up a brief workshop to explore the issues further. However this report has been prepared on the basis that this may not be necessary.
- 1.4 There is no statutory obligation for the SDNPA to establish an Audit Committee. However there is a wide range of guidance and best practice which shapes and informs the operation of this Committee including the Combined Code on Corporate Governance (2003) and the Good Governance Standard for Public Services (2004). CIPFA (The Chartered Institute of Public Finance & Accountancy) produced a Toolkit for Local Authority Audit Committees in 2006. In that document it states:

"Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal

and external auditors. CIPFA believes that these functions are best delivered by an audit committee separate from executive functions."

- 1.5 CIPFA has recently conducted a survey of local authority audit committees and some of its findings are relevant to this review; they are attached at **Appendix 1**. The government has recently consulted on the Future of Local Public Audit and this also has relevance. While a response has been issued in relation to arrangements for the provision of external audit, there has been no response as yet to some of the other issues brought up by the consultation including, for example, issues of audit committee independence. There is however no timeframe for CLG to report back on this element of the consultation.
- 1.6 A preliminary assessment has been conducted against the Checklist. The findings are summarised in **Appendix 2**. The recommendations arising from that review are:
- The Audit Committee should annually review its effectiveness and monitor the implementation of agreed actions for improvement;
 - The Audit Committee's terms of reference should be reviewed and updated annually;
 - The overlap between membership of the Audit Committee and the Resources and Performance Committee should be minimised as far as possible;
 - An induction checklist should be produced for new Members of the Audit Committee;
 - There should be an annual review of the training and development needs of Audit Committee Members;
 - There should be a formal review with Member involvement of the effectiveness of Internal Audit this year;
 - There should be a review of the effectiveness of anti-fraud and corruption activity and whistleblowing strategy this year;
 - Consideration should be given to providing a written Annual Report of the Audit Committee to the full Authority meeting and this should provide assurances on key governance and control issues;
 - Consideration should be given to whether performance of Members on the Audit Committee should be appraised; and
 - There should be formal agreement by the Chair to the agenda for each meeting

2. Resources

- 2.1 There are no additional resource implications arising directly from this report.

3. Risk Management

- 3.1 The draft Local Code of Corporate Governance identifies the various elements of the risk management system that the Authority has in place.

4. Human Rights, Equalities, Health and Safety

- 4.1 None.

5. External Consultees

- 5.1 None..

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Appendices Appendix 1 - CIPFA survey results
Appendix 2 - Preliminary findings against the NAO " Audit Committee Self Assessment Checklist"

SDNPA Consultees

Director of Corporate Services, Monitoring Officer

Background Documents

Section 100D – Local Government Act 1972 – background papers

The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NAO The Audit Committee Self-Assessment Checklist 2009