



<u>Committee and Date</u> Audit Committee 27 March 2014 10.00 am
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<u>Item</u> <b>10</b> <u>Public</u>
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## REVIEW OF THE AUDIT COMMITTEE'S ANNUAL WORK PLAN AND FUTURE LEARNING AND DEVELOPMENT REQUIREMENTS 2014/15

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### 1. Summary

It is important that Audit Committee Members have an agreed plan of work for the year ahead and receive appropriate learning and development in order to deliver their responsibilities effectively. This report provides a proposed audit committee work plan and seeks discussion and agreement around a learning and development plan for Members to ensure that they are well informed and appropriately skilled to fulfil their role.

### 2. Recommendations

The Committee is asked to consider and approve, with appropriate comment the;

- a) Audit Committee work plan for 2014/15, **Appendix A**;
- b) Action Plan following the Audit Committee's self-assessment of Good Practice, reported on the 13 February 2014, **Appendix B**; and
- c) Learning and development plan for Members of the committee taking in to account information in **Appendices A to C**.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities; Audit Committee Members are able to undertake their duties effectively and deliver them to a high standard thereby adding to:
- the robustness of the risk management framework,
  - the adequacy of the internal control environment and
  - the integrity of the financial reporting and annual governance of the Council.

3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or climate change requirements or consequences of this proposal.

#### 4. Financial Implications

4.1 The Audit Committee work plan and learning and development sessions for members will be met from within approved budgets.

#### 5. Background

5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2013 Edition, as providing 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 annual governance processes. In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial management, 'ensuring that the financial management of the body is adequate and effective and that the body has a sound system of control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk'<sup>1</sup>. With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared and members will gain the knowledge and experience needed to carry out their role effectively.

5.2 The work plan shows with tracked alterations any proposals for changes and member approval is sought on these, **Appendix A**. In considering the amendments the following information may be useful:

- a) As part of the majority of audits compliance with financial and contract rules are reviewed and reported upon. It is not felt that specific audits on these areas add any further value on a risk basis to the Committee's assurance levels in these areas and therefore these reviews will be absorbed and reported upon as part of general audits.
- b) Following a reduction of Internal Audit resources, covered in a separate report on your agenda, it has been agreed with the Chairman and the Section 151 Officer to reduce the number of Audit Committee meetings by one. The business of the March committee has been reviewed and will be covered at the February meeting.
- c) A number of details in respect of reports received from the External Auditor have been updated.

5.3 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of

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<sup>1</sup> Accounts and Audit (England) Regulations 2011 (2011 no817)

knowledge and experience that audit committee members can bring to the committee and which will enable it to perform effectively. No one committee member is expected to be an expert in all areas, but there are some core areas of knowledge that committee members need to acquire in addition to a need for regular briefings and training to help members keep up to date or to extend their knowledge

- 5.4 It is important that the learning and development plan is considered, agreed and put in place to support Members in their roles. During 2013/14 Members have received four half day sessions that covered a number of topics in detail which covered governance arrangements including key roles, Public Sector Internal Audit Standards, treasury management training from the Council's treasury advisor (Capita Assets Services), counter fraud, the financial sustainability of local authorities, carbon scheme reduction commitment and the role of Public Health at the Council. Training has been delivered from a variety of in house resources, along with colleagues from external audit and external speakers as appropriate.
- 5.5 Members are asked to consider their preferred learning and development approach for 2014/15. It is proposed that training is provided in three half day sessions over the next twelve months in May 2014, October 2014 and January 2015, dates to be agreed. Following the Audit Committees' self-assessment against good practice as set out in CIPFA's Audit Committees, Practical Guidance for Local Authorities, as reported to Members at the February committee. An action plan has been drafted and attached at **Appendix B**. At the February meeting, members agreed to evaluate the effectiveness of the Audit Committee at a future training session and consider its approach against this new guidance and members' individual needs against the revised knowledge and skills framework. It is proposed that the information from this training, proposed for delivery in May and the related knowledge and skills assessments is used to revise any development plans agreed by the committee today.
- 5.6 In addition, **Appendix C** identifies the training topics for Audit Committee Members to consider. Training topics are identified as core areas of knowledge that all Audit Committee Members should seek to acquire and specialisms that can add value to the committee. Whilst members are asked to confirm the initial sessions for learning and development, this will not prevent any additional items being added during the year or changes being made if these are felt to be of value.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Previous training session records

CIPFA's Audit Committees Practical Guidance for Local Authorities and Police 2013 Edition

**Cabinet Member (Portfolio Holder)** Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

**Local Member** n/a

**Appendices**

**Appendix A** – Audit Committee Work Plan 2014/15

**Appendix B** – Action Plan following the Audit Committee's self-assessment of Good Practice, reported on the 13 February 2014

**Appendix C** – Audit Committee Members development topics

Appendix A

Audit Committee Work Plan 2014/15	26 June 2014	18 Sept 2014	27 Nov 2014	23 Feb 2015	Mar-20xx	Report originator
	Proposed target dates for reports					
Internal Audit Annual Report	✓					Internal Audit
Review of Annual Statement of Accounts Reports	✓					S151 Officer
Annual Governance Statement and a review of the effectiveness of the Council's system of internal control.	✓					S151 Officer
Review of Code of Corporate Governance Report	✓					S151 Officer
Annual review of the effectiveness of the system of Internal Audit and Quality Assurance and Improvement Programme	✓					S151 Officer
Annual Assurance Report of Audit Committee to Council	✓					Internal Audit
External Audit Annual Fee Letter 2014/15	✓					External Audit
Revenue Outturn Report	✓					S151 Officer
Capital Outturn Report	✓					S151 Officer
Annual Whistleblowing report	✓					Head of Human Resources
<del>Quarterly Update on Transformation Programme Management Controls and Risks</del> Update on Programme Management Controls and Risks	✓	✓	✓	✓	✗	Manager, Programme Management Office
Council Tax and NNDR Performance Monitoring Report	✓		✓		✗	Revenues and Customer Contact Manager
Housing Benefit Overpayment Performance Monitoring Report		✓				Head of Service Support, Marketing and Engagement
External Audit Findings Report 2013/14		✓				External Audit
External Audit Shropshire County Pension Fund Findings Report 2013/14		✓				External Audit
Results of National Fraud Initiative		✓				Internal Audit
Audited Annual Statement of Accounts		✓				S151 Officer
Risk Annual Report		✓				Risk Management Team Leader
Annual Treasury Report		✓				S151 Officer
Annual review of Audit Committee Terms of Reference			✓			Internal Audit
Annual review of Internal Audit Charter			✓			Internal Audit

Appendix A

<b>Audit Committee Work Plan 2014/15</b>	<b>26 June 2014</b>	<b>18 Sept 2014</b>	<b>27 Nov 2014</b>	<b>23 Feb 2015</b>	<b>Mar-20xx</b>	<b>Report originator</b>
Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy			✓			Internal Audit
Half year audit report update and revised Annual Audit Plan			✓			Internal Audit
External Audit Annual Audit Letter 2013/14			✓			External Audit
Treasury Strategy Mid-Year Report			✓			S151 Officer
Annual Audit Committee Self-Assessment			✓			S151 Officer
Benefit Fraud Team Performance Monitoring Reports				✓		Head of Public Protection
Three quarter audit report update				✓		Internal Audit
Treasury Strategy				✓		S151 Officer
Internal Audit report on compliance with Financial Rules (every two years)						Internal Audit
Internal Audit report on compliance with Contract Rules (every two years)						Internal Audit
<b>2013/14 Certification Report</b>	✓					<b>External Audit</b>
<b>2013/14 Financial Resilience Benchmarking Report</b>				✓		<b>External Audit</b>
<b>2014/15 Communicating with the Auditor Report</b>				✓		<b>External Audit</b>
<b>2015/16 Fee letter</b>	✓					<b>External Audit</b>
Audit Plan for the Pension Fund 2013/14	✓				✗	External Audit
External Audit Plan 2014/15				✓	✗	External Audit
Internal Audit report of the Review of Risk Management Audit				✓	✗	Internal Audit
Draft Internal Audit Risk Based Plan				✓	✗	Internal Audit
Draft Audit Committee annual work plan and future training requirements				✓	✗	Internal Audit
External Audit – Audit Committee update	✓		✓	✓	✗	External Audit
Internal Audit Fraud Updates (part 2)	✓	✓	✓	✓	✗	Internal Audit

## Action Plan following the Audit Committee's self-assessment of Good Practice, reported on the 13 February 2014

Good practice questions	Partly	Action required	Who?	When?
<b>Audit Committee purpose and governance</b>				
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	<p>The preparation of the annual report by the committee should be reviewed and revised to ensure compliance with these aspects:</p> <ul style="list-style-type: none"> <li>• Whether the committee has fulfilled its agreed terms of reference.</li> <li>• Whether the committee has adopted recommended practice.</li> <li>• Whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities.</li> <li>• Whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review.</li> <li>• What impact the committee has on the improvement of governance, risk and control within the Council.</li> </ul>	Chairman of Audit Committee	May/ June 2014
		CIPFA provides guidance on evaluating the effectiveness of the Audit Committee and it is proposed that a future training session is set aside to consider the approach of the	Audit Services	May 2014

Good practice questions		Partly	Action required	Who?	When?
			committee against this new guidance and members' individual needs against the revised knowledge and skills framework. This approach would satisfy and provide clarity on the following questions which can presently only be answered in part.	Manager	
<b>Functions of the committee</b>					
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		<p>Members have been assessed against previous knowledge and skills frameworks and training plans developed, but not under the new CIPFA guidance which will have similarities but may have new aspects to it. It is proposed to assess members under the new skills framework prior to detailed development plans being agreed</p> <ol style="list-style-type: none"> <li>1. Complete initial self-assessment</li> <li>2. Consider the effectiveness of the Audit Committee against the new CIPFA guidance at a training session in May</li> <li>3. Revisit self-assessment and development needs of members</li> </ol>	Audit Services Manager	<p>April 2014</p> <p>May 2014</p> <p>Sept 2014</p>
<b>Effectiveness of the committee</b>					
18	Has the committee obtained feedback on its performance from those interacting with		Audit Committee delivers an influential role within the Council, demonstrated by the outcome of various recommendations made and by officers and others relying on the committees	Audit Committee	May 2014



Good practice questions		Partly	Action required	Who?	When?
	the committee or relying on its work?		output. A more detailed review in these aspects, against the new framework as part of the training session in May, may inform further improvements	Chairman	
19	Has the committee evaluated whether and how it is adding value to the organisation?		The annual report to Council demonstrates this and a review, as mentioned above, of the reports contents will help to ensure that all aspects of the committee's responsibilities are demonstrated. See actions for question six	N/A	N/A
20	Does the committee have an action plan to improve any areas of weakness?		<p>The committee could demonstrate compliance under the previous CIPFA guidance. A detailed evaluation of some aspects of the new guidance is required to ensure that the committee is complying, where appropriate, with the guidance and this may result in an improvement plan, which, when delivered will provide further evidence of compliance.</p> <p>This action plan is designed to identify and address any weaknesses.</p>	N/A	N/A

## Audit Committee Members development topics

### Core areas of knowledge

Organisational knowledge  
Audit committee role and function  
Governance  
Internal audit  
Financial management and accounting  
External audit  
Risk management  
Counter fraud, bribery, corruption and whistleblowing  
Values of good governance  
Treasury management

### Specialist knowledge that adds value to the Audit Committee

Accountancy  
Internal audit  
Risk management  
Governance and legal  
Service knowledge relative to the different Council functions  
Programme and project management  
IT systems and IT governance

### Core skills

Strategic thinking and understanding of materiality  
Questioning and constructive challenge  
Focus on improvement  
Able to balance practicality against theory  
Clear communication skills and focus on the needs of users  
Objectivity  
Meeting management skills