

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 JUNE 2009

REPORT OF THE DIRECTOR OF FINANCE

AUDIT COMMITTEE – SELF ASSESSMENT

1. EXECUTIVE SUMMARY

- 1.1. The meeting of this Committee on 31 March 2009 considered a report on the annual Review of the System of Internal Audit. Part of this review involves an evaluation of the role and effectiveness of the Audit and Risk Management Committee. The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve this task.
- 1.2. Attached at Appendix 1 is the aforementioned self assessment checklist completed by the Chair of this Committee for consideration.

2. BACKGROUND

- 2.1. The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2. One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is now subsumed within the Annual Governance Statement (AGS) and relates specifically to the review of the System of Internal audit. This is:-
 - a. Regulation 6 requires bodies to review their "System of Internal Audit" once a year, and for the findings of the review to be considered by a committee of the body, or by the body as a whole.
- 2.3. Advice from CIPFA includes the assertion that the "System of Internal Audit" can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated.
- 2.4. To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommends that this be completed annually.

3. FINANCIAL AND STAFFING IMPLICATIONS

- 3.1. There are none arising from this report.

4. **LOCAL MEMBER SUPPORT IMPLICATIONS**

4.1. There are no local Member support implications.

5. **LOCAL AGENDA 21 STATEMENT**

5.1. There are no local agenda 21 implications.

6. **PLANNING IMPLICATIONS**

6.1. There are no planning implications.

7. **EQUAL OPPORTUNITIES IMPLICATIONS**

7.1. There are no equal opportunities implications.

8. **COMMUNITY SAFETY IMPLICATIONS**

8.1. There are no community safety implications.

9. **HUMAN RIGHTS IMPLICATIONS**

9.1. There are no human rights implications.

10. **BACKGROUND PAPERS**

10.1. Accounts and Audit Regulations 2006 – DCLG.

10.2. CIPFA Code of Practice for Internal Audit in Local Government 2007.

10.3. CIPFA Toolkit for Local Authority Audit Committees 2006.

11. **RECOMMENDATION**

11.1. That the completed Self Assessment Checklist be considered.

IAN COLEMAN
DIRECTOR OF FINANCE

Wirral Council

Audit and Risk Management Committee

Self-Assessment Checklist

ESTABLISHMENT OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee have written terms of reference?	X			
1	Do the terms of reference cover the core functions of the audit committee as identified in the CIPFA guidance?	X			
1	Are the terms of reference approved by the council and reviewed periodically?	X			
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	X			
1	Can the audit committee access other committees and full council as necessary?	X			Theoretically we can, but I think some guidelines would be useful
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	X			
2	Does the audit committee periodically assess its own effectiveness?	X			This is the first time we have done it

Priority	Issue	Yes	No	N/a	Comments/action
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?		X		Think this would be a good idea - a summary report to go on the library and be sent to cabinet maybe ?
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	X			
1	Is the chair independent of the executive function?	X			
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime?	X			
1	Are new audit committee members provided with an appropriate induction?	X			Confirm that this will be in place for next year
1	Have all members' skills and experiences been assessed and training given for identified gaps?		X		
1	Has each member declared his or her business interests?	X			
2	Are members sufficiently independent of the other key committees of the council?	X			
Meetings					
1	Does the audit committee meet regularly?	X			
1	Do the terms of reference set out the frequency of meetings?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			There have been issues with papers being late, but this is subject to ongoing monitoring and has been improving

Priority	Issue	Yes	No	N/a	Comments/action
Meetings (continued)					
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	X			There are a lot of conflicts, but seeking to improve this
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			
1	Are meetings free and open without political influences being displayed?	X			The committee have worked well together as a team with minimal political conflict
1	Does the authority's S151 officer or deputy attend all meetings?	X			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	X			
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	X			
1	Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?	X			SIC ? Statement of internal control ?
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 throughout the reporting period?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Internal Control (Continued)					
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk man ?				Continuing to try and remind other members of importance of risk management - but think more work needed here
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"				? - this brings up the issue of how difficult it is to see all the reports that we've received without having to go into every meeting agenda/minutes
1	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	X			
2	Does the audit committee review the authority's strategic risk register at least annually?	X			
2	Does the audit committee monitor how the authority assesses its risk?	X			
2	Do the audit committee's terms of reference include oversight of the risk management process?	X			
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	X			
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?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Financial Reporting and Regulatory Matters (continued)					
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?	X			
1	Does the audit committee review management's letter of representation?	X			
2	Does the audit committee annually review the accounting policies of the authority?				? - again issue of searching Agenda and minutes
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	X			
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?			?	I don't think we have a formal mechanism for this - it's a bit ad hoc at present - are we ok with that ?
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in details, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	X			
1	Does internal audit have an appropriate reporting line to the audit committee?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Internal Audit (continued)					
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	X			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	X			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	X			Briefing before every meeting
1	Is there appropriate cooperation between the internal and external auditors?			?	Seems ok to me, but I don't think we can answer this
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	X			Concern raised regularly over the limited staff availability and difficulties filling vacancies
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	X			
2	Are internal audit performance measures monitored by the audit committee?	X			
2	Has the audit committee considered the information it wishes to receive from internal audit?	X			Report much revised and more easily comprehensible

Priority	Issue	Yes	No	N/a	Comments/action
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)?	X			
1	Does the audit committee hold periodic private discussions with the external auditor?		X		Is this something we should do ?
1	Does the audit committee review the external auditor's annual report to those charged with governance?	X			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	X			
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	X			
1	Does the audit committee assess the performance of external audit?		X		
1	Does the audit committee consider and approve the external audit fee?	X			
ADMINISTRATION					
Agenda Management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?		X		Ongoing monitoring and situation improving

Priority	Issue	Yes	No	N/a	Comments/action
Agenda Management (continued)					
2	Are outline agendas planned one year ahead to cover issues on cyclical basis?				Don't know
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	X			
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	X			In general yes, and where there have been issues we've challenged and addressed the specific issues
2	Does the audit committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?		X		Not considered necessary to date
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	X			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	X			Included in main minutes
1	Do action points indicate who is to perform what any by when?	X			Included in main minutes