

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	20 th March 2013
3.	Title:	Audit Committee Self-Assessment
4.	Programme Area:	Resources

5. Summary.

The Audit Committee carries out an annual self-assessment against best current practice for audit committees.

This report refers to the 2012 - 2013 self-assessment by the Audit Committee of its current arrangements relative to the standards contained in CIPFA document 'A Toolkit for Local Authority Audit Committees'. Other published standards for audit committees have been reviewed and found to be consistent with the expectations of the CIPFA toolkit to the extent that if the Committee can satisfy the CIPFA expectations, it is likely also to be able to comply with broader good practice.

The assessment shows that the Council's Audit Committee substantially complies with current best practice. Since there have again been no new members to the Audit Committee during the year, the issues raised in last year's report, around induction arrangements and assessment of development needs, remain.

6. Recommendations.

The Audit Committee is asked:-

- **To confirm the answers provided to questions in the Audit Committee self-assessment checklist at Appendix A of this report;**
- **To indicate any further actions required to enable the Committee to further strengthen its arrangements.**

7. Proposals and Details.

7.1 Background.

The main guidance on standards for local authority audit committees is the CIPFA publication 'A Toolkit for Local Authority Audit Committees'. The toolkit was produced by CIPFA in late 2006 to build on the guidance contained in the CIPFA document; 'Audit Committees – Practical Guidance for Local Authorities', which was published in 2005. These documents remain the authoritative guidance. This report reiterates, as follows, the positive audit committee developments that previous self-assessments have led to:-

- The production of Audit Committee Annual Reports.
- The provision of regular refresher training sessions on topics related to the Committee's terms of reference.
- Provision of more information on the Council's accounts and treasury management to facilitate greater understanding and more effective challenge by the Audit Committee in these areas.
- Improved reporting of internal audit activities and the corporate risk register.
- Reference to the Audit Committee and its activities in the Annual Governance Statement.

The previous self-assessment against the CIPFA standards was completed by the Audit Committee in December 2011, when the Committee concluded that it substantially complied with the standards. The Committee's arrangements were also compared, in December 2010, against guidance issued in November 2010 by the National Audit Office, at which point most expectations were judged to have been met.

Other checklists have been reviewed to consider any other areas for consideration and assessment, including:-

- HM Treasury Audit Committee Handbook.
- National Audit Office: '*The Audit Committee Self Assessment Checklist*'.
- The NHS Audit Committee Handbook.

The expectations of these references are consistent with the CIPFA toolkit to the extent that if the Committee can satisfy the CIPFA expectations it is likely also to be able to comply with broader good practice. For this reason, this report concentrates on a detailed assessment against the CIPFA standard.

7.2 Assessment using the CIPFA Toolkit for Local Authority Audit Committees.

Notwithstanding the previous positive conclusions, it is appropriate to consider the Committee's current view of its arrangements to ensure the self-assessment remains up-to-date.

The following minor issues were raised for consideration following the 2011 review and these are considered to be fully covered by current arrangements. Reference numbers in the left hand column below refer to the checklist at Appendix A.

Ref No.	Issue	Comments.
2.4	Are new audit committee members provided with an appropriate induction?	The Audit Committee had no new members during 2012-13. However, procedures are in place to ensure that any new members would attend an induction course.
2.5	Have all members' skills and experiences been assessed and training given for identified gaps?	Provision is available for Members to have PDPs and to identify any specific learning needs that would assist with fulfilling their responsibilities.

The current assessment is attached at **Appendix A**. Issues for the Audit Committee to consider, emerging from the assessment, are:

8. Finance.

There are no direct financial implications arising from this report.

9. Risks and Uncertainties

Rotherham is regarded as having strong audit committee arrangements. In order to maintain its position the Audit Committee should continue to re-consider appropriate arrangements and compare them with best practice.

10. Policy and Performance Agenda Implications.

Good governance is wholly related to the Council's priorities.

11. Background Papers and Consultation.

'A Toolkit for Local Authority Audit Committees', CIPFA.
 'Audit Committees – Practical Guidance for Local Authorities', CIPFA.
 'The Audit Committee Self- Assessment Checklist'.

Contact Names:

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Appendix:-

A 'A Toolkit for Local Authority Audit Committees' – Self Assessment.

'A Toolkit for Local Authority Audit Committees' - Self Assessment Checklist: March 2013.

No.	Issue	Yes	No	Comments	Ref to Evidence
1. Role and Remit					
1.1	Does the audit committee have written terms of reference?	✓		Terms of Reference reviewed and approved by the Council at its Annual Meeting.	Terms of Reference reviewed and approved annually by the Council at May 2012 meeting. Also included in the Audit Committee's Annual Report 2011-2012.
1.2	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	✓		The Terms of Reference comply fully with the requirements of the CIPFA document "Audit Committees – Practical Guidance for Local Authorities", which is regarded as best practice for audit committees.	Terms of Reference reviewed and approved annually by the Council. CIPFA "Audit Committees – Practical Guidance for Local Authorities".
1.3	Are the terms of reference approved by the Council and reviewed periodically?	✓		The Terms of Reference are incorporated into the Council's Constitution and are reviewed and approved at the Annual Meeting of the Council.	Terms of Reference reviewed and approved annually by the Council, May 2012.
1.4	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓		The membership level accords with the CIPFA Practical guidance, which refers to HM Treasury's suggestion of 3-5 members. The Terms of Reference and Constitution identify the Committee's authority, and the Committee has relevant officer and other support.	Current level is 5 members in line with CIPFA "Audit Committees – Practical Guidance for Local Authorities". Terms of Reference, Constitution, Appendix 10.

No.	Issue	Yes	No	Comments	Ref to Evidence
1.5	Can the audit committee access other committees and full council as necessary?	✓		The Committee has full and free access as required to fulfil its responsibilities.	As per Council Constitution.
1. Role and Remit					
1.6	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	✓		Reference is made to the Audit Committee in the Annual Governance Statement.	Reference is made to the Audit Committee in Section 3 and its activities at Section 4.3 of the Annual Governance Statement 2011/12.
1.7	Does the audit committee periodically assess its own effectiveness?	✓		The Audit Committee previously carried out a self-assessment in December 2011.	December 2011 Audit Committee minutes.
1.8	Does the audit committee make a formal annual report on its work and performance during the year to full council?	✓		The Audit Committee produces an annual report showing its effectiveness / achievements in the year.	2011/12 Annual Report presented to full Council July 2012.
2. Membership, Induction and Training					
2.1	Has the membership of the audit committee been formally agreed and a quorum set?	✓		The membership of the Audit Committee was determined at the Annual Meeting of the Council held in July 2012. Quoracy rules are consistent with other Council committees.	Council Meeting July 2012.
2.2	Is the Chair independent of the executive function?	✓		All members of the Committee are independent of the executive function.	Audit Committee members are not Cabinet members.
2.3	Has the audit committee Chair either previous knowledge of, or received appropriate training on,	✓		This is the existing Chair's 5 th year as Chair.	Members' Services – PDP Records.

No.	Issue	Yes	No	Comments	Ref to Evidence
	financial and risk management, accounting concepts and standards and the regulatory regime?			The Chair has received training, for example by attending CIPFA Finance Advisory Network events.	
2. Membership, Induction and Training					
2.4	Are new audit committee members provided with an appropriate induction?	✓		New Audit Committee Members have access to a general induction and specific information relating to the role of Audit Committees and Audit Committee Members. Members can also access any bespoke training through the Members' development review process.	Members' Services – PDP Records. N.B. There were no new members during 2012-2013.
2.5	Have all members' skills and experiences been assessed and training given for identified gaps?	✓		Any gaps are identified as part of a Member's Personal Development Plan interviews.	Members' Services – PDP Records.
2.6	Has each member declared his or her business interests?	✓		Members complete and update the Register of Interests as necessary.	Legal Services – Register of Interests.
2.7	Are members sufficiently independent of the other key committees of the council?	✓		Members have sufficient independence to ensure their roles on the Audit Committee are not compromised.	Members have no executive responsibilities.

No.	Issue	Yes	No	Comments	Ref to Evidence
3. Meetings					
3.1	Does the audit committee meet regularly?	✓		The Committee has monthly scheduled meetings.	Audit Committee work plan presented to Audit Committee meeting 30 th May 2012.
3.2	Do the terms of reference set out the frequency of meetings?		✓	As the frequency of meetings can change, it is not regarded as essential to identify the frequency within the Terms of Reference. The number and frequency of meetings will be identified in the Members' handbook and on the Council's intranet and internet sites.	Members' handbook; Council's intranet and internet. Also Audit Committee work plan.
3.3	Does the audit committee calendar meet the Authority's business needs, governance needs and the financial calendar?	✓		The Committee's work plan identifies key dates and key reports. Regular meetings enable all business requirements to be met comfortably.	Audit Committee work plan presented to Audit Committee meeting 30 th May 2012.
3.4	Are the members attending meetings on a regular basis and if not, is appropriate action taken?	✓		Members attend meetings on a regular basis and it has not been necessary to take any action in this regard. A quorum has been achieved throughout the year.	Audit Committee minutes.
3.5	Are the meetings free and open without political influences being displayed?	✓		Meetings are open to the Public.	Audit Committee minutes.
3.6	Does the authority's S151 Officer or Deputy attend all meetings?	✓		The s.151 Officer and / or deputy will normally attend Audit Committee meetings.	Audit Committee minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
3.7	Does the audit committee have the benefit of attendance of appropriate Officers at its meetings?	✓		Relevant officers present and are available to discuss all reports. Officers who have attended Audit Committee include the Director of Legal Services, the Director of Audit and Asset Management, the Director of Finance and the Chief Accountant.	Audit Committee minutes.
4. Internal Control					
4.1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (now annual governance statement) including the review of the effectiveness of the system of internal audit?	✓		All statutory requirements are met.	Audit Committee 30 th May 2012.
4.2	Does the audit committee have responsibility for review and approval of the SIC (now annual governance statement) and does it consider it separately from the accounts?	✓		The Annual Governance Statement is considered separately by the Audit Committee. The Annual Governance Statement is reviewed and approved by the Audit Committee prior to formal 'sign off' by the Leader of the Council and the Head of Paid Service.	Audit Committee 30 th May 2012.
4.3	Does the Audit Committee consider that the scope of Internal Audit work, the available resources at its disposal, and its access to information and people allow it to address significant risks within the organisation?	✓		The Internal Audit Strategy and Internal Audit Plan as agreed by the Audit Committee, identifies the relevant arrangements.	Audit Committee Report 25 th April 2012.

No.	Issue	Yes	No	Comments	Ref to Evidence
4.4	Does the audit committee satisfy itself that the governance arrangements have operated effectively throughout the reporting period?	✓		Assurances are summarised within the Audit Committee report on the Annual Governance Statement for the Committee's attention.	Audit Committee 30 th May 2012.
4.5	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	✓		The Audit Committee has responsibility for risk management. The Director of Audit and Asset Management has liaised with the Scrutiny and Policy Manager to discuss how Audit Committee and scrutiny functions can work together on common areas of interest.	Audit Committee minutes. e.g. 17 th October 2012.
4.6	Has the audit committee (with delegated responsibility) of the full council adopted "Managing the Risk of Fraud – Actions to counter Fraud and Corruption?"	✓		The Audit Committee approved the Council's strategy for tackling fraud and corruption in January 2012 and has also approved the Fighting Fraud Locally Strategy.	Audit Committee January 2012 for the Strategy and 25 April 2012 for Fighting Fraud Locally. The Fraud and Corruption Strategy will be reviewed again during 2013/2014.
4.7	Does the audit committee ensure that the "Actions to counter Fraud and Corruption" are being implemented?	✓		The Audit Committee approved the Council's strategy for tackling fraud and corruption in January 2012 and implemented recommended actions. The strategy will be reviewed in 2013-2014.	Audit Committee January 2012.
4.8	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	✓		The Annual Internal Audit Plan identifies the risk based approach to the preparation of the plan.	Internal Audit Plan, Audit Committee 25 th April 2012.
4.9	Does the audit committee review the authority's strategic risk	✓		The Audit Committee receives quarterly reports on the corporate risk register and	Audit Committee minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
	register at least annually?			has an opportunity to comment on the risks included and identify any emerging risks.	
4.10	Does the audit committee monitor how the Authority assesses its risk?	✓		The Audit Committee receives quarterly reports on the corporate risk register and has an opportunity to comment on the risks included and identify any emerging risks.	Audit Committee meeting 30 th May 2012.
4.11	Do the audit committee's terms of reference include oversight of the risk management process?	✓		The Terms of Reference state, the Audit Committee should: "Consider the effectiveness of the Council's risk management arrangements and control environment. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors. Review the robustness of risk registers."	Terms of Reference.
5. Financial Reporting and Regulatory Matters					
5.1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	✓		The Committee's Terms of Reference include consideration of: - the annual statement of accounts prior to recommending it to the full Council; - the external auditor's report on the audit of the annual financial statements; - Whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit.	Terms of Reference.

No.	Issue	Yes	No	Comments	Ref to Evidence
5.2	<p>Does the audit committee consider specifically:</p> <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 	✓		<p>Accounting policies are presented separately to the Committee each year in March for agreement.</p> <p>Any other salient points are highlighted in the report accompanying the accounts and presented to the Committee.</p>	<p>Audit Committee March 2012</p> <p>Audit Committee 26th September 2012.</p>
5.3	Is a 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?	✓		The 2011/12 Statement of Accounts and External Auditors Annual Governance Report (ISA 260) were presented to the Audit Committee on 26 th September 2012.	Audit Committee 26 th September 2012.
5.4	Does the audit committee review management's letter of representation?	✓		The letter of representation is presented to the Audit Committee when the auditor's report is submitted.	Audit Committee 26 th September 2012
5.5	Does the audit committee annually review the accounting policies of the authority?	✓		See extract from the Terms of Reference at 5.1 above.	See 5.1 above.

No.	Issue	Yes	No	Comments	Ref to Evidence
5.6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	✓		The covering report accompanying the accounts explains the procedures for preparing the accounts.	Audit Committee 26 th September 2012.
5.7	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?	✓		Officers provide updates as and when these arise. The covering report accompanying the accounts identifies any significant developments.	Audit Committee March 2012. Audit Committee 26 th September 2012.
6. Internal Audit					
6.1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	✓		The Committee's Terms of Reference state the Committee's objectives include: 'To approve (but not direct) the Chief Auditor's proposed strategy plan' and 'ensure that this gives an adequate level of assurance over the Council's main risks'.	Terms of Reference.
6.2	Does internal audit have an appropriate reporting line to the audit committee?	✓		The Director of Audit and Asset Management attends all meetings and is able to report direct to the Committee.	Audit Committee Terms of Reference and Audit Committee Minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
6.3	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	✓		<p>Quarterly internal audit progress reports are presented to the Committee.</p> <p>An Annual Audit Report is also produced, which includes the opinion of the Chief Auditor on the adequacy of the Council's control environment and whether it has operated satisfactorily during the year.</p>	<p>Audit Committee minutes.</p> <p>For Annual Audit Report, see Audit Committee Minutes 18th July 2012.</p>
6.4	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	✓		<p>Quarterly update reports provide the Chief Auditor an opportunity to highlight any significant issues for the Committee's attention as necessary.</p> <p>Members retain the right to require senior managers to attend Audit Committee and have exercised this right where they have had concerns regarding the response of management to Audit recommendations.</p>	Audit Committee minutes.
6.5	Does the audit committee hold periodic private discussions with the head of internal audit?	✓		The Committee has provision to hold private discussions. The Chair of the Committee and the Director of Audit and Asset Management hold regular meetings.	Terms of Reference.
6.6	Is there appropriate cooperation between the internal and external auditors?	✓		<p>Internal and External Audit meet regularly during the year to discuss the respective plans and progress against these.</p> <p>Internal and External Audit work closely to maximise the benefit derived from the total audit resource.</p> <p>External Audit place reliance on the work undertaken by Internal Audit on the Council's fundamental financial systems. If</p>	Managed Audit Approach.

No.	Issue	Yes	No	Comments	Ref to Evidence
				Internal Audit were not to carry out this work, KPMG would charge additional fees.	
6.7	Does the audit committee review the adequacy of internal audit staffing and other resources?	✓		The Internal Audit Plan balances resources and needs. There is provision for the Director of Audit and Asset Management to raise any resource issues with the Chief Finance Officer, the Head of Paid Service and the Audit Committee as deemed appropriate.	Internal Audit Plan, Audit Committee 25 th April 2012.
6.8	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?	✓		<p>A review of Internal Audit's compliance with the CIPFA code completed in 2010 by KPMG confirmed Internal Audit's compliance with the standards. The review was reported to the Audit Committee.</p> <p>External Audit annually reviews Internal Audit work and reports to Committee accordingly.</p> <p>The new Public Sector Internal Audit Standards come into operation on 1st April and work is currently being to ensure that the Internal Audit function meets these new requirements.</p>	<p>Audit Committee October 2010.</p> <p>KPMG Interim External Audit Report 2011-2012, Audit Committee 25th April 2012.</p>
6.9	Are internal audit performance measures monitored by the audit committee?	✓		Quarterly progress reports identify performance against key PIs.	Audit Committee minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
6.10	Has the audit committee considered the information it wishes to receive from internal audit?	✓		The Committee has previously noted its satisfaction with the level of information included in the progress reports.	Audit Committee minutes.
7. External Audit					
7.1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	✓		External audit plans are presented to the Audit Committee.	Audit Committee 13 th February 2013.
7.2	Does the audit committee hold periodic private discussions with the external auditor?	✓		The Committee has provision to hold private discussions.	Terms of Reference.
7.3	Does the audit committee review the external auditor's annual report to those charged with governance?	✓		The report is presented following the annual accounts audit.	Audit Committee 21 st November 2012.
7.4	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓		Quarterly reports on progress in implementing External Audit recommendations are presented to the Audit Committee.	Audit Committee minutes.
7.5	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?	✓		All External Audit reports are presented to the Audit Committee.	Audit Committee 21 st November 2012.
7.6	Does the audit committee assess the performance of external audit?	✓		The Committee receives regular progress reports from the External Auditor. The	External Auditor's ISA 260 Report, Audit Committee,

No.	Issue	Yes	No	Comments	Ref to Evidence
				Committee also reviews the annual report of the External Auditor at the completion of the audit.	26 th September 2012.
7.7	Does the audit committee consider and approve the external audit fee?	✓		The Audit Committee receives and approves the External Audit Plan including the fee proposals.	Audit Committee 21 st November 2012.
8. Administration – Agenda Management					
8.1	Does the audit committee have a designated secretary from Committee / Member Services?	✓		Debbie Pons is the Members' support officer for the Audit Committee.	Audit Committee minutes.
8.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	✓		Papers are circulated one week before the meetings. Hard copies are published and members receive an 'alert' to inform them that they are available. It is hoped that going forward papers will be circulated in an electronic format.	Papers are circulated one week before the meetings.
8.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓		The Committee has an annual work plan.	Audit Committee Work Plan, Audit Committee meeting 30 th May 2012.
8.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant offices, internal and external audit?	✓		Audit Committee members are invited to raise AOB with the Chair in advance of the meeting when the Agenda Papers are circulated. There is further opportunity for AOB to be raised during the meeting.	Agenda Papers and Audit Committee Minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
9. Administration - Papers					
9.1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓		All criteria are satisfactorily met.	Audit Committee minutes, and the accompanying reports.
9.2	Does the audit committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?	✓		A standard pro-forma is used for all reports.	Audit Committee minutes, and the accompanying reports.
10. Administration – Actions Arising					
10.1	Are minutes prepared and circulated promptly to the appropriate people?	✓		These criteria are met.	Audit Committee minutes.
10.2	Is a report on matters arising made and minuted at the audit committee's next meeting?	✓		These criteria are met.	Audit Committee minutes.
10. Administration – Actions Arising					
10.3	Do action points indicate who is to perform what and by when?	✓		Action points identify the relevant details where possible.	Audit Committee minutes.