

North Tyneside Council

Report to Audit Committee

Date: 30 March 2016

ITEM 12

Title: Review of Audit Committee Arrangements

Report from Service Area: Commissioning and Investment

Report Author: Allison Mitchell, Chief Internal Auditor (Tel: 643 5720)

Wards affected: All

PART 1

1.1 Purpose:

This report summarises the outcomes from engagement undertaken by the Chair of Audit Committee with a variety of stakeholders of the Audit Committee, and guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) regarding audit committees. The report evaluates our own Audit Committee arrangements in the context of CIPFA's published guidance; the views of elected members, Senior Leadership Team and the External Auditor; and also good practice identified elsewhere.

The report concludes that the Audit Committee is a valuable assurance resource for the organisation, but that more could be done to develop this and link the work of the committee to the wider organisation (in particular, the Senior Leadership Team and Cabinet). The report recommends that its findings are developed further into an action plan, involving members of Audit Committee and other key stakeholders, with the Head of Commissioning and Investment as sponsor for this work.

1.2 Recommendation(s):

It is recommended that Audit Committee:

- (a) considers and endorses the report of the Co-opted Chair of Audit Committee, attached as **Appendix A**;
- (b) agrees that the recommended actions set out by the Chair of Audit Committee in section 4 of the report are progressed, with Mark Longstaff (Head of Commissioning and Investment) as Senior Leadership team sponsor for this work; and
- (c) agrees that any changes to the Audit Committee's Terms of Reference necessary to reflect CIPFA's Audit Committee Position Statement are recommended for adoption to full Council, as part of the next review of the Constitution.

1.3 Council plan and policy framework

The work of the Audit Committee covers all service responsibilities as identified within the Council Plan.

1.4 Information

- 1.4.1 As has been discussed at meetings of Audit Committee previously in 2015/16, it is considered to be good practice for audit committees to regularly assess their own effectiveness. CIPFA has produced guidance which local authorities can use to structure such reviews of effectiveness.
- 1.4.2 A review of our current Audit Committee arrangements has been undertaken, led by the co-opted Chair of Audit Committee. As well as considering CIPFA's published guidance, the Chair of Audit Committee has taken the opportunity to engage widely with a number of stakeholders of the Audit Committee and its work. Examples of good practice within audit committees within local government and other sectors have also been sought, and the arrangements for our own Audit Committee compared.
- 1.4.3 The outcomes from the Chair of Audit Committee's initial review are summarised in the report attached as **Appendix A**. In summary, the report recognises the valuable contribution that the work of the Audit Committee makes to the effective running of the organisation, but highlights a number of areas where its effectiveness could be enhanced. In particular, the Chair of Audit Committee recommends that greater links between the Audit Committee, Senior Leadership Team and Cabinet are developed, alongside a range of additional improvements.

1.5 Decision Options:

It is recommended that the Audit Committee considers and endorses the report of the Chair of Audit Committee, attached as **Appendix A**, and agrees that the recommended actions contained therein are progressed with the Head of Commissioning and Investment.

1.6 Reasons for recommended option:

This recommendation will allow the Council to operate in line with legislation, good practice and professional guidance.

1.7 Appendices:

Appendix A: Review of Audit Committee Arrangements – Report of the Co-opted Chair of Audit Committee (March 2016)

1.8 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

- (a) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2013 (P)
- (b) Public Sector Internal Audit Standards, CIPFA / Institute of Internal Auditors, December 2012 (P)
- (c) Local Government Application Note for the UK Public Sector Internal Audit Standards, CIPFA / Institute of Internal Auditors, April 2013 (P)
- (d) [North Tyneside Council Constitution \(P\)](#)
- (e) [Financial Regulations C24 - C35, version 5a, September 2013 \(P\)](#)
- (f) [The Accounts and Audit Regulations 2015, April 2015 \(P\)](#)
- (g) [The 'Our North Tyneside' Council Plan 2014/18, September 2013 \(P\)](#)

(h) ['Creating a Brighter Future Programme', April 2014 \(P\)](#)

(i) Target Operating Model, 2015 (C)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate.

2.2 Legal

The Public Sector Internal Audit Standards, and related Local Government Application Note, presume that local authorities will have an Audit Committee undertaking the mission identified by CIPFA in its 2013 publication "Audit Committees – Practical Guidance for Local Authorities and Police".

2.3 Consultation/community engagement

The Chair of Audit Committee has engaged extensively with a range of Audit Committee stakeholders. Consultation has included serving elected members of the committee, the Cabinet member for Finance and Resources, Chief Executive and Deputy Chief Executive, Heads of Service and Senior Leadership Team, senior managers, and the External Auditor. A complete list is included in Annex A of the Chair of Audit Committee's report attached.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report.

2.6 Risk management

Risks will be identified as progress is made on the implementation of the recommended actions included within the report. Risks and opportunities identified will be managed in accordance with the Authority's established risk management processes.

2.7 Crime and disorder

There are no specific crime and disorder issues arising from this report. The work of Audit Committee is a key strand in the Authority's counter-fraud arrangements.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

Report authors Allison Mitchell