

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO AUDIT COMMITTEE

3<sup>rd</sup> March 2011

### REPORT OF THE ASSISTANT CHIEF EXECUTIVE - PERFORMANCE

#### SELF-ASSESSMENT CHECKLIST – MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE

##### **1. Purpose of Report .**

- 1.1 The purpose of this report is to inform the Audit Committee of the findings of the self-assessment checklist – measuring the effectiveness of the Audit Committee.

##### **2. Connection to Corporate Improvement Plan / Other Corporate Priority.**

- 2.1 Internal Audit's work impacts on the Corporate Improvement Plan and other corporate priorities

##### **3. Background.**

- 3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) published practical guidance for local authorities on the role of audit committees. Although not mandatory, the Guidance contains certain fundamental principles, which, if not followed, could result in criticism from the Council's External Auditors.
- 3.2 Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation. They enhance public trust and confidence in the financial governance of an authority.

##### **4. Current situation / proposal.**

- 4.1 In order to ascertain how effective the Audit Committee is in contributing to good governance, a self-assessment checklist was sent to all Members of the Committee for completion. Based on the responses received the overall assessment of the effectiveness of the Council's Audit Committee is very good with a significant number of positive responses.
- 4.2 The exercise has however, highlighted some areas which need to be addressed. In the main these focus around training, membership and external / internal audit processes and relate specifically as outlined in the table below:

Description	Members Response	Action / Comment
<p>Internal Audit Process –</p> <ul style="list-style-type: none"> <li>Are summaries of quality questionnaires from managers reviewed?</li> </ul>	No	With the implementation of the new Management Information System it is intended to bring to the Committee annual summaries of quality responses.
<p>External Audit Process –</p> <ul style="list-style-type: none"> <li>Are reports on the work of external audit and other inspections agencies presented to Audit Committee</li> <li>Does the Committee input into the external audit programme?</li> </ul>	<p>No</p> <p>No</p>	<p>KPMG as the Council's External Auditors bring before the Committee regular reports on their work. However, other inspection agencies reports are not brought before the Committee unless they relate specifically to matters covered by the Committee's Terms of Reference.</p> <p>KPMG present their work programme to Audit Committee which is an opportunity for Members to discuss the programme of work and comment on this.</p>
<p>Membership</p> <ul style="list-style-type: none"> <li>Is the Chair free from executive or scrutiny functions?</li> <li>Are members sufficiently independent of the other key committees of the Council?</li> <li>Have all members' skills and experiences been assessed and training given for identified gaps?</li> </ul>	<p>No</p> <p>No</p> <p>No</p>	<p>Whilst the Chair is not free of scrutiny functions, the most important matter is that she is not part of the executive. Links with scrutiny function can be beneficial but the Audit Committee needs to retain the ability to challenge the executive on issues.</p> <p>As above.</p> <p>It is recommended that Members of an Audit Committee have a broad understanding of financial, risk and control and corporate governance issues.</p>
<p>Meetings</p> <ul style="list-style-type: none"> <li>Are separate, private meetings held with the external auditor and the</li> </ul>	No	Both the Council's External Auditor and the Council's

internal auditor?		Chief Internal Auditor are available to meet with the Committee Chair if required.
<b>Training</b> <ul style="list-style-type: none"> <li>• Is induction training provided to Members?</li> <li>• Is more advanced training available as required?</li> </ul>	<p>No</p> <p>No</p>	<p>A programme of training courses is available to elected members but not specifically on Internal Audit.</p> <p>Although a programme of advanced training is not available, specific and regular audit committee training can be provided and should be incorporated within the Committee's Forward Work Programme.</p>

4.3 Members may wish to discuss the outcome of the self-assessment with a view to addressing the issues as highlighted in the table above. A copy of the self-assessment checklist is attached at Appendix A.

**5. Effect upon Policy Framework & Procedure Rules.**

5.1 None

**6. Equality Impact Assessment.**

6.1 There are no equality issues.

**7. Financial Implications.**

7.1 There are no financial implications regarding this report.

**8. Recommendation.**

8.1 That the Committee considers this report.

**David Macgregor**  
**Assistant Chief Executive - Performance**

**3<sup>rd</sup> March 2011**

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**Background documents:**

Internal Audit reports relating to the above audits held within the Internal Audit Division.