

North Tyneside Council Report to Audit Committee Date: 20 November 2019

ITEM 9

Title: Review of Audit
Committee Arrangements

Report from Service Area: Resources

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

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to update Audit Committee on progress with the review of Audit Committee arrangements, following the report considered by Audit Committee in July 2019.

1.2 Recommendations:

It is recommended that Audit Committee:

- (a) notes that the review of Audit Committee arrangements is proposed to take place in three tranches throughout 2019/20 (namely a self-assessment of current arrangements against CIPFA's latest guidance on Audit Committees; individual interviews with Audit Committee members; and engagement with relevant senior officers and Cabinet members);
- (b) notes that the first two tranches of the review have now been concluded;
- (c) notes that the final tranche of this review is planned to take place ahead of the March 2020 meeting of Audit Committee, and that the Head of Resources will report to that meeting on action which will be implemented to ensure that our Audit Committee arrangements reflect, as far as practicable, CIPFA's good practice guidance.

1.3 Council Plan and policy framework

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

1.4 Information

- 1.4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees – Practical Guidance for Local Authorities and Police') was published in 2018.

- 1.4.2 An initial assessment of our Audit Committee arrangements, against the good practice recommended by CIPFA, was considered by Audit Committee in July 2019, in conjunction with a summary of the work previously performed by the Chair of Audit Committee in 2015/16 to review Audit Committee arrangements at that time. The assessment demonstrated that our Audit Committee arrangements already reflect a number of the good practice areas recommended by CIPFA, and there are some areas in which more development may be needed to ensure that the good practice recommended by CIPFA is fully reflected.
- 1.4.3 In July 2019, Audit Committee agreed that:
- (a) the Head of Resources, supported by the Chief Internal Auditor, would work with the Chair of Audit Committee to prepare a 2019/20 plan of actions needed to ensure that our Audit Committee arrangements reflect, as far as practicable, CIPFA's good practice guidance and the relevant findings of the 2015/16 review led by the Chair of Audit Committee; and
 - (b) a further report would be brought to Audit Committee in November 2019; and that the views of serving Audit Committee members on the operation of Audit Committee would be sought and included in the November 2019 report.
- 1.4.4 The Chair of Audit Committee has subsequently engaged with serving elected members of Audit Committee on an individual basis. Our current Audit Committee arrangements were examined, with several ideas to develop our Audit Committee discussed including:
- developing arrangements for regular onward reporting from Audit Committee to 'those charged with governance' within the Authority
 - ensuring that the Terms of Reference for Audit Committee reflect CIPFA's latest Position Statement on Audit Committees in Local Government
 - working with Audit Committee members to assess whether members feel they have the required knowledge and skills necessary for their role on Audit Committee, and developing a structured induction and training programme to address any areas where more knowledge would be welcomed
 - helping the Committee to engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers for implementation of audit recommendations.
- 1.4.5 It is now proposed that as the third and final tranche of the review, consultation now takes place with senior officers and members of Cabinet as appropriate, in order to prepare a programme of actions to further improve our Audit Committee arrangements. A further report will be brought to Audit Committee in March 2020 summarising all actions identified at each stage of this year's review and a plan for implementation of agreed actions.
- 1.4.6 The Authority is aware of a national independent review of the quality and effectiveness of the audit and financial reporting of local authorities in England. The review, led by the former President of the Chartered Institute of Public Finance Sir Tony Redmond, was launched to examine the effectiveness of local authority financial reporting and the audit regime. The scope of the review includes testing the assurance processes in place with regard to value for money arrangements together with the financial resilience in local councils, in addition to examining how councils publish their annual accounts and whether financial reporting systems are sufficiently transparent to be held to account.

1.4.7 It is anticipated that the 'Redmond Review' will report in March 2020. It is likely that this will include observations and recommended changes regarding the structure and function of Audit Committees in Local Government, which in turn may mean that CIPFA issues revised guidance in response. The Authority will monitor progress closely and report to the Audit Committee on any developments in due course.

1.5 Decision Options:

It is recommended that Audit Committee notes the contents of this report and progress made in the review; and agrees that a final report will be brought before Audit Committee in March 2020.

There are no other options available in relation to this report.

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:

There are no appendices to this report.

1.8 Contact officers:

Kevin McDonald (Group Assurance Manager) Tel 643 5738

1.9 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, 2018 (P)
- (b) North Tyneside Council Constitution (P)
- (c) Review of Audit Committee Arrangements, Report to Audit Committee, 24 July 2019
- (d) Audit Committee Annual Report 2016/17, Report to Cabinet 10 July 2017; and Appendix
- (e) The 'Our North Tyneside' Council Plan 2018/21,2018 (P)

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.

There are no financial implications arising from the recommendations set out in this report.

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 2018 publication “Audit Committees – Practical Guidance for Local Authorities and Police”.

2.3 Consultation/community engagement

Consultation on the analysis against CIPFA’s good practice guidance, taken from the 2018 publication “Audit Committees – Practical Guidance for Local Authorities and Police”, was undertaken with Audit Committee during the July 2019 Audit Committee meeting. The Chair of Audit Committee has subsequently engaged with serving elected members of Audit Committee on an individual basis.

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