

# North Tyneside Council Report to Audit Committee Date: 25 March 2020

ITEM 10

Title: Review of Audit  
Committee Arrangements

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Report from Service Area: Resources

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

Wards affected: All

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## 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 November 2019.

### 1.2 Recommendations:

It is recommended that Audit Committee:

- (a) notes the review of Audit Committee arrangements has taken place in three tranches throughout 2019/20 (namely a self-assessment of current arrangements against the Chartered Institute of Public Finance and Accountancy's – CIPFA's – latest guidance on Audit Committees; individual interviews with Audit Committee members; and engagement with relevant senior officers);
- (b) notes the action which may now be considered to ensure that our Audit Committee arrangements reflect, as far as practicable, CIPFA's good practice guidance;
- (c) notes that CIPFA recommend that an annual review of Audit Committee effectiveness is undertaken, and that officers will consider how this can be achieved in an efficient manner in future years following the major review just undertaken in 2019/20 year.

### 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 November 2019, Audit Committee agreed that:

- (a) the first two tranches of the review had been concluded; and
- (b) the final tranche of the review was planned to take place ahead of the March 2020 meeting of Audit Committee, and that the Head of Resources would 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.

1.4.4 The Chair of Audit Committee has engaged with serving elected members of Audit Committee on an individual basis, in addition to senior officers. Our current Audit Committee arrangements were examined, with several ideas to develop our Audit Committee discussed. Actions identified / implemented regarding these areas include:

<b>Development area identified</b>	<b>Action</b>
Developing arrangements for regular onward reporting from Audit Committee to ‘those charged with governance’ within the Authority	It is proposed that work is undertaken to develop the preparation of an annual report from Audit Committee each year, ready for presentation to Cabinet. It is proposed that the annual report will demonstrate how Audit Committee meets its Terms of Reference and also provide a summary of the work of the committee during the 2019/20 year.
Ensuring that the Terms of Reference for Audit Committee reflect CIPFA’s latest Position Statement on Audit Committees in Local Government	Amendments to the Audit Committee’s Terms of Reference, reflecting CIPFA’s latest Position Statement on Audit Committees in Local Government, have been proposed for consideration as part of the review of the Authority’s Constitution to be presented to the annual meeting of Council in May 2020.
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	Required knowledge and skills were discussed with Audit Committee members as part of the review undertaken, with no issues identified.  Improvements have been made regarding a structured induction to Audit Committee as part of the Members’ Development Programme, in addition to a training / briefing session scheduled prior to the Audit Committee meeting in May 2020. A specific briefing relating to the approval of the

	<p>Authority's accounts / Accounting Policies has also been scheduled, with additional briefings / training to be developed as required throughout the remainder of the year in conjunction with Audit Committee.</p>
<p>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.</p>	<p>Possible methods of engagement, and Audit Committee's role regarding assurance on audit findings, risks and action plans, were discussed with Audit Committee members as part of the review undertaken. The Chief Executive will attend the March 2020 meeting of Audit Committee, to outline the work which he has commissioned during 2019/20 to ensure a full fundamental review of corporate risks was undertaken in-year.</p> <p>As Audit Committee receive reports on matters of governance, risk management and control throughout the course of the year, Audit Committee can then determine whether it would be beneficial to the Committee's work to invite appropriate Heads of Service to attend a meeting of the Committee.</p>

1.4.5 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. Similarly, there are other reviews of audit arrangements (not necessarily in the public services but which may nonetheless have an impact on the audit regime in local government in future, for example the Brydon Review). The Authority will maintain a close watch on developments and ensure that any relevant matters are reported to Audit Committee as a matter of course.

1.4.6 It is anticipated that the 'Redmond Review' will report early in the 2020/21 year. It is possible 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 actions taken / proposed following the review.

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, 20 November 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 and senior officers 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.

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