

## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:** **AGC-013-2016/17**  
**Date of meeting:** **28 November 2016**

**Portfolio:** **Governance and Development Management**

**Subject:** **Review of the Effectiveness and the Terms of Reference of the  
Audit Committee**

**Responsible Officer:** **Sarah Marsh (01992 564446).**

**Democratic Services:** **Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) The Committee considers the results of the review of its own effectiveness;**
- (2) The Committee approves the self-assessment results which shows that Epping Forest District Council is compliant with recommended best practice for an effective audit committee;**
- (3) The Committee approves the action plan contained within the report; and**
- (4) The Committee endorses its current Terms of Reference.**

### **Executive Summary:**

An effective audit committee brings many benefits to an organisation. To ensure the Council continues to provide an effective Audit and Governance Committee, a review of the Committee's effectiveness and its Terms of Reference has been undertaken by the Chairman of the Audit and Governance Committee in conjunction with the Chief Internal Auditor.

No changes to the Committee's Terms of Reference are proposed and an action plan has to been developed to address minor weaknesses identified from the effectiveness review.

### **Reasons for Proposed Decision:**

To ensure the Audit and Governance Committee continues to be effective and to follow good practice within the sector.

### **Other Options for Action:**

None

### **Report:**

1. Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires a Local Authority to review the effectiveness of its system of internal control at least once a year. Following the review, the Committee is required to approve the Annual Governance Statement (AGS).

2. The effective operation of the Audit Committee forms a key element of the Council's assurance framework. It is considered best practice that an assessment of the effectiveness of the Audit Committee should be scheduled to form part of the AGS process.

Approach to the Effectiveness Review

3. This review was performed by the Chief Internal Auditor in conjunction with Chairman of the Committee based on guidance issued in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police (2013 edition).

4. The self-assessment checklist (Appendix 1) has been completed and members are requested to discuss the checklist, agree its contents and approve the proposed action plan for improvements.

Results of the Effectiveness Review

5. The results of the self-assessment show that the Council is able to demonstrate compliance with recommended best practice for an effective audit committee, with some areas of minor improvement required.

6. Resulting from the attached checklist (Appendix 1), areas identified for improvement are listed in the Action Plan below:

Area	Description	Actions
Partnerships	Determine the Committee's role regarding the assurances available in helping determine the adequacy of governance and risk management arrangements for partnerships.	As part of the Annual Governance Statement (AGS) the Committee should consider the coverage of assurances that underpin the AGS to make sure partnerships are adequately covered.
Skills and knowledge	The composition of the Committee is a key factor in achieving the characteristics of a good audit committee. As two-thirds of the membership of the Committee is drawn from elected representatives, the depth and knowledge and experience that are desirable may be at times harder to achieve. Audit Committee members should be willing to review their knowledge and skills, for example as part of a self-assessment process or training needs analysis.	With the aid of Democratic Services the Committee could undertake a skills and knowledge analysis, considering alternatives if there are significant deficiencies.  Measures could include, for example, additional training or development opportunities.
Approach to Fraud	The Audit Committee should have oversight of the Council's strategy to counter fraud.	On an annual basis review the Council's approach to fraud. This could be achieved by ensuring the adequacy of counter fraud arrangements are evaluated and reported in the AGS or through periodic review

		of the Council's Anti-Fraud Strategy and processes.
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### Terms Of Reference Review

7. An effective audit committee brings many benefits to an organisation and to ensure the Council continues to provide an effective Audit and Governance Committee, the Committee's Terms of Reference should be considered on an annual basis, which is in line with good practice. The Committee should ensure the Terms of Reference remains current and up to date and make recommendations for any significant changes to the Council.

8. The Committee last reviewed its Terms of Reference in November 2015 when it considered the benefits and risks of merging with the Standards Committee. The merger did not go ahead and no changes to the current Terms of Reference were made.

9. Audit Committees – Practical Guidance for Local Authorities 2013 represents the latest best practice from CIPFA, and takes account of additional requirements stemming from the introduction of Public Sector Internal Audit Standards (PSIAS).

10. Internal Audit has carried out a comparison of the Committee's current Terms of Reference with the 2013 CIPFA model terms of reference, benchmarking with Broxbourne's and Harlow's Terms of Reference (both of which have a combined Audit and Standards Committee).

11. On this basis, there are no proposed changes to the current Terms of Reference as they remain fit for purpose.

### **Resource Implications:**

None

### **Legal and Governance Implications:**

To comply with CIPFA guidelines and as part of the process for gathering evidence for the production of the Annual Governance Statement, the Council is required to review the effectiveness of its Audit Committee. This effectiveness review and review of its Terms of Reference ensures that the Council fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

### **Safer, Cleaner and Greener Implications:**

None

### **Consultation Undertaken:**

Chairman of the Audit and Governance Committee

Corporate Governance Group

### **Background Papers:**

Audit Committees – Practical Guidance for Local Authorities 2013

Audit and Governance Committee Terms of Reference

**Risk Management:**

An effective Audit Committee has a pivotal role regarding the Annual Governance Statement which explains how the Council delivers good governance and reviews the effectiveness of these arrangements. This effectiveness review helps demonstrate this.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date / Name</b>	<b>Summary of equality analysis</b>
28/11/16 Chief Internal Auditor	There is no impact on individuals or groups of individuals being a high level review of the Audit and Governance Committee.