

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	19 JANUARY 2017	5
EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE - TERMS OF REFERENCE			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

Following an initial report presented on 22 September 2016, in relation to the effectiveness of the Audit and Standards Committee, this report sets out proposed amendments to the committee's terms of reference to more closely reflect best practice guidance advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice. This amendment forms part of the improvement action plan adopted by the Committee.

RECOMMENDATIONS

1. The Committee endorses the proposed terms of reference of the Audit and Standards Committee.
2. The Committee requests the Council to adopt the revised terms of reference as soon as practicable.

SUMMARY OF PREVIOUS DECISIONS

The review of the Committee's effectiveness was considered at its meeting on 22 September 2016 when an improvement action plan was adopted.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	√
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1. In September 2016 the Audit and Standards Committee considered a report on its effectiveness compared to best practice guidance set out by CIPFA in its publication 'Audit Committees: Practical Guidance for Local Authorities and Police'. The guidance incorporates an effectiveness self-assessment checklist to permit benchmarking against good practice.
2. Evidence of effectiveness comprises influence, persuasion and support for improvement in various key areas. In addition, the committee itself must be properly constituted, with a knowledgeable and experienced membership, and proper authority in relation to all the core areas identified by CIPFA's guidance:
 - good governance
 - assurance framework
 - internal audit
 - external audit
 - financial reporting
 - risk management
 - value for money
 - counter-fraud and corruption
3. The Chair and Vice Chair of the Audit and Standards Committee carried out the self-assessment review against the checklist, supported by the Head of Internal Audit. The review related solely to the audit element of the committee's mandate.
4. The Improvement Plan raised two issues in relation to the committee's terms of reference:
 - The present terms of reference do not fully set out the purpose of an Audit Committee as documented in CIPFA's Position Statement
 - Although the current terms of reference do mention the core areas identified in CIPFA'S Position Statement, they are not always in the same context or to the same extent as the suggested core functions in the CIPFA guidance
5. The action agreed by the committee in relation to both observations above was to compare the existing terms of reference to the core areas as identified in CIPFA's guidance. Any enhancements or changes suggested would be referred to the Council for addition into the terms of reference as required.
6. In addition, the committee agreed that responsibility for and means of providing assurance on risk management to the Council and the public needed to be properly re-established and made clear in the revised terms of reference.
7. The following additions to the proposed terms of reference have been made:
 - Section 1 - new section that explains the committee's overall remit in terms of the audit element of the committee's mandate
 - Paragraph 2.7 - extends and defines the committee's role in relation to internal audit
 - Paragraph 2.4/5 - states the committee's role in relation to risk management
 - Paragraph 2.6 - new phrase added concerning governance and corporate objectives
 - Paragraph 2.8 - establishes the committee's right to consider reports from external audit and other inspection agencies
 - Paragraph 2.9 - refers to monitoring arrangements for fraud and value for money
 - Paragraphs 2.11 - relates to matters referred by other committees or by statutory officers

- Paragraphs 2.13 - sets out the treasury management role of the committee
- Section 3.2 - establishes the committee's right to consider the external auditor's opinion to those charged with governance
- Paragraph 4.2 - refers to the promotion of ethical values and arrangements to achieve them
- Paragraph 5.3 - establishes the right of the committee to report to other committees and corporate groups
- Paragraphs 5.4 - gives an undertaking to review committee performance annually

8. Some minor adjustments to phrasing and removal of duplicated sentences or words have also been made but these make no significant difference to the meaning or substance.
9. The proposed terms of reference for the audit element of the committee's mandate, which reflects best practice as described above, is attached as an Appendix to this report. New wording is highlighted.

IMPLICATIONS	
Finance	The proposed changes to the terms of reference of the Audit and Standards Committee will enhance good governance and probity. There are no financial implications arising from this report.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	In completing this review the Council seeks compliance with best practice in demonstrating the effectiveness of the Audit and Standards Committee, which is a key component in the consideration of the system of internal control and risk

LEAD AUTHOR	TEL	DATE	DOC ID
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LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Effectiveness of the Audit Committee 2016	September 2016	S:\Internal Audit\Effectiveness of the Audit & Standards Committee - 0916.doc
Audit and Standards Committee Improvement Plan 2016		S:\Internal Audit\Audit & Standards Improvement Plan.doc

Attached documents

1. Proposed Terms of Reference for the Audit and Standards Committee (audit element)