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**Audit Committee – 24<sup>th</sup> September 2009**

**Report of the Interim Director of Finance**

**Audit Committee Benchmarking Report**

**Purpose of the Report**

1. To give Members an overview of information on Audit Committee practice identified via consultation with other Heads of Audit at the Midland Audit Group.

**Background**

2. **Previous Assessments of the Audit Committee**

In October 2007 an exercise was carried out by the Audit Committee to discuss and evaluate the Terms of Reference and functions of the Committee. To facilitate the discussion two CIPFA publications were provided to demonstrate CIPFA model guidance i.e:-

CIPFA “Audit Committees – Practical Guidance for Local Authorities”  
CIPFA “A Toolkit for Local Authority Audit Committees”

The publications included checklists which could be used to assess the Terms of Reference, functions and effectiveness of an audit committee. The checklists were completed by Audit in conjunction with the then Chair and Vice Chair of the Audit Committee and reviewed by the Audit Committee at a special meeting. It was concluded that the Dudley MBC Audit Committee operated largely in line with the CIPFA models, with only minor exceptions.

The Head of Audit compiles an annual review on the system of audit and the associated report was presented to Audit Committee in June 2009. The review includes an assessment of the relevance of the checklists referred to above, and the Head of Audit confirms the completed checklists still demonstrate adherence to the CIPFA model guidance.

3. **Benchmarking**

The Head of Audit became aware of a press article in the Express & Star which indicated that the Audit Committee at Wolverhampton City Council was introducing two sub committees. Subsequent research identified that for the 2009/10 municipal year Audit Committee meetings were planned as follows:-

- a. Audit Committee – 11 meetings
- b. Audit [Examination of Paid Accounts, Monitoring of Audit Investigations] Sub Committee – 8 meetings
- c. Audit [Final Accounts Monitoring & Review] Sub Committee – 5 meetings

The Audit Committee has eight Members and the Sub Committees have four Members each.

Based on these findings contact was made with other Heads of Audit in the region to ascertain what their authorities arrangements were for Audit Committees. Responses were received from eight authorities and the information provided is shown in Appendix 1.

Dudley MBC Audit Committee has the largest number of members and the fewest meetings. The agenda for other Authorities goes beyond ours in some cases as evidenced by the “Notes” section in Appendix 1

In all Authorities supplying information the political membership of the Audit Committee was reflective of the overall Council membership. In three Authorities a non elected independent member had been recruited, in similar manner to the Dudley MBC Standards Committee.

Whilst there are a number of common reports received by all the Committees it appears that other authorities Committees are receiving interim reports during the year to show Audit Services progress against the plan. These typically include details of performance and the results of audits. We use an alternative system in submitting annual Directorate and performance reports.

However, I would suggest there is scope for Audit Services to submit interim progress reports to the September and February meetings, and these reports should provide the Audit Committee with updates on :-

- a. Performance
- b. Results of audit work following up on services which received poor audit reports [i.e. “Nil” or “Minimal” level of assurance]

One area of possible inconsistency concerns Treasury Management reports which in the majority of authorities do not go to Audit Committee, rather these reports are presented to the Cabinet. However, new CIPFA guidance currently out to consultation on the back of the banking “crisis” arising from some Councils who invested in Icelandic Banks suggests the Audit Committee should perform a scrutiny function and receive Treasury Management reports. We will update the Audit Committee as necessary once the final guidance is issued if any changes are required.

The Head of Audit Services was instrumental in this piece of benchmarking research and he concluded that in his opinion, significant changes to the operation of the Audit Committee were not appropriate.

## **Finance**

4. There are no direct financial implications in this report.

## **Law**

5. The Accounts and Audit Regulations 2006 require the Council to have an adequate and effective system of internal audit which includes all elements of the audit framework including the Audit Committee.

### **Equality Impact**

6. This report does not raise any equal opportunities issues.
7. The work of Internal Audit helps to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the work carried out.

### **Recommendations**

8. That the Committee considers the contents of this report.
9. That the Committee endorses the introduction of interim reports on Audit Services activities. These reports to be presented to the September and February meetings.



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**Bill Baker**  
**Interim Director of Finance**

**Contact Officer: Les Bradshaw (ext. 4853)**

## Appendix 1 :

## Audit Committee Practices – Analysis

[illegible]

	<b>Dudley</b>	<b>Sandwell</b>	<b>Birmingham</b>	<b>Coventry</b>	<b>Leicester</b>	<b>Telford &amp; Wrekin</b>	<b>Walsall</b>	<b>Derby</b>	<b>Solihull</b>
Risk Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Fraud Report	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Selected Accounts	No	Yes	No	No	No	No	No	No	No
Gifts & Hospitality Policy	No	Yes	Yes	No	No	No	No	No	No
Anti Fraud & Corruption Policy	No	Yes	No	No	Yes	Yes	No	No	No
Code of Corporate Governance	No	No	No	Yes	Yes	No	Yes	No	Yes
Audit Committee Annual Report to Council	No	Yes	No	No	Yes	No	No	No	Yes
Other Agenda items	<a href="#">Note A</a>	<a href="#">Note B</a>	<a href="#">Note C</a>	<a href="#">Note D</a>	<a href="#">Note E</a>	<a href="#">Note F</a>	<a href="#">Note G</a>	<a href="#">Note H</a>	<a href="#">Note I</a>

#### **Note A**

Audit Charter & Strategy Approval  
 Leaps & Bounds  
 Follow up reporting options  
 NFI Update

#### **Note B**

Investigation regarding the relocation of Sandwell Homes to Dartmouth House  
 Selection of a Selected Account  
 Establishment of 'Members Skills Set' and identification of 'Skills Gap'  
 Consideration of the production of an Audit Committee Annual Report for 2008/9  
 2008 Audit Committee Self Assessment Action Sheet Update  
 Review of Audit Committee Member Training and Establishment of an Audit Committee Members Skills Set  
 Internal Audit Fraud Recommendation Tracking Report  
 Use of SBS for Procuring Goods and Services  
 Directors Assurance Statement  
 External Audit Recommendation Tracking Report  
 Consideration of Voting Rights for the Independent Member  
 Sandwell Business System Update  
 Use of SBS for Procuring Goods and Services  
 Submission of Audit Committee Annual Report to Council

#### **Note C**

Ombudsman Report Concerning 'Ms D'  
 Benefits Service Voice Recognition Analysis Pilot Final Report  
 Liaison and Notification Arrangements between Benefit Service and Housing Services  
 City Council Internet Service  
 Business Transformation: Realising the Benefits  
 Birmingham Audit – Data Matching  
 Internet Monitoring  
 Benefit Service Voice Risk Analysis Pilot Cost Benefit Analysis Report

Corporate Service Transformation – BT Programme – Closure Reports  
City Council Internet Security  
Councillors External Call Facilities  
Meeting of Core Cities Audit Committee Chairmen  
The Local Government Ombudsmen's Annual Report 2007/08  
Update on Progress Following the Ombudsman's Report Concerning 'Ms D'  
Business Transformation: Benefits Realisation Board  
Birmingham's Compliance with Richard Recommendations: Safer Recruitment and Employment Update

#### **Note D**

2006-07 New Deals for Community Review  
2007-08 Business Continuity Review  
Data Quality Review  
Training  
ICT Healthcheck Follow up  
2007-08 Coventry Direct Review  
Housing Benefit Fraud Update  
200-08 Use of Resources Review

#### **Note E**

Draft of the Committee's report to Council for the previous financial year

#### **Note F**

Discussion about how the Audit Committee will relate to the Value for Money Scrutiny Group (invite the Chair to attend)

#### **Note G**

##### **JUNE 08**

Role, remit and work programme  
Corporate Financial Performance  
Audit Committee Self-assessment  
Selected internal audit reports for scrutiny  
Review of Governance Framework and Effectiveness, including Local Code of Governance  
Review and appraisal of officers' statutory responsibilities/delegations  
Approval of the corporate integrated planning and performance framework  
Review of the effectiveness of the Audit Committee

#### **Note H**

Progress and Performance of the Derbyroads Partnership  
Concessionary Fares  
IT Security – Virus Infection  
Cash Advances  
Called in Audits – Parking Enforcement  
Data Quality

#### **Note I**

CPA (CAA) updates  
Challenges on those areas identified by Internal Audit as having limited or no assurance