

**South Lakeland District Council**  
**Audit Committee**  
**Thursday, 5 December 2019**  
**Review of Effectiveness of the Audit Committee**

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<b>Portfolio:</b>	Not applicable
<b>Report from:</b>	Section 151 Officer
<b>Report Author:</b>	Helen Smith – Finance Lead Specialist and Section 151
<b>Wards:</b>	Corporate Issue
<b>Forward Plan:</b>	Not applicable

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**1.0 Expected Outcome**

- 1.1 This report is presented to show the results of the annual review of the Committee's effectiveness, carried out using principles established by CIPFA, the Chartered Institute of Public Finance and Accountancy. The review uses a questionnaire approach: its conclusion is that the Committee continues to operate effectively.

**2.0 Recommendation**

**2.1 It is recommended that Audit Committee:-**

- (1) considers and approves the review and its conclusion that the Committee is operating effectively in all material respects; and**
- (2) notes the skills framework for members of Audit Committee in Appendix 3.**

**3.0 Background and Proposals**

- 3.1 The Committee's work programme requires it to review its own effectiveness on an annual basis. Unlike the review of internal audit, this is not a statutory requirement but an element of best practice. The review will provide assurance for the Annual Governance Statement.
- 3.2 The Committee's latest annual report, prepared in April 2019, is a useful starting point for the review but it tends to be descriptive rather than analytical and a different approach is required to test effectiveness. CIPFA published updated Practical Guidance for Local Authority and Police Audit Committees in 2018 which includes a checklist to assess the effectiveness of Audit Committees, which is included at Appendix 1 and an evaluation tool included at Appendix 2 along with responses prepared by officers.
- 3.3 The Guidance includes the suggestion that a lay or independent member should be included in Audit Committees although this is not a requirement. However, the Audit Committee operates with a high level of challenge to officers. Members considered whether it is appropriate for an independent member to be sought at the meeting of Audit Committee in December 2018 and concluded there was no need for an independent member.

- 3.4 The review concludes that, with the exception of the inclusion of an independent member, the Committee can demonstrate that it has been established in accordance with best practice and that, while operating without an independent member, it has operated effectively during the last year. The Committee should be alert to any changes in its membership and the expertise of its Members so that it can arrange suitable training. Appendix 3 includes a skills framework for members of Audit Committee also produced by CIPFA.
- 3.5 The Practical Guidance includes possible wider functions of an audit committee. The questionnaire in Appendix 1 includes a question of whether these possible wider functions have been considered by Audit Committee.

These functions are:

- a) Considering governance, risk or control matters at the request of other committees or statutory officers;
- b) Working with local standards committees to support ethical values and reviewing the arrangements to support those values;
- c) Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Audit Committee does support some work of the Standards Committee to support ethical values, particularly around reviewing whistleblowing arrangements. For this Council the treasury management scrutiny function is carried out by the Overview and Scrutiny Committee. The terms of reference do not refer to requests for consideration of matters from other committees or statutory officers: any such proposals should be considered on a case-by-case basis bearing in mind the need to maintain the independence of the Audit Committee.

#### **4.0 Consultation**

- 4.1 Officers have reviewed the guidance on the operation of audit committees as set out above.

#### **5.0 Alternative Options**

- 5.1 The Committee can challenge and alter the detail or the conclusion of the review, however it is believed that the assessment is accurate and can be evidenced.

#### **6.0 Links to Council Priorities**

- 6.1 To develop and embed a high performance culture.

#### **7.0 Implications**

##### **Financial, Resources and Procurement**

- 7.1 This report has no direct financial implications.

##### **Human Resources**

- 7.2 Need for continued focus on Skills/Knowledge development and effectiveness of members. Also need to further raise awareness of role of Audit and effectiveness of audit as part of the key skills programme for senior managers.

##### **Legal**

- 7.3 There are no legal implications arising from this report.

##### **Health, Social, Economic and Environmental**

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: The review of the effectiveness of audit committee has no direct HSEE implications.

### Equality and Diversity

7.6 Have you completed an Equality Impact Analysis? No

7.7 If you have not completed an Impact Assessment, please explain your reasons: The review of the effectiveness of audit committee has no direct Equality and Diversity implications

### Risk

Risk	Consequence	Controls required
The review is not carried out to appropriate standards.	Failure to recognise any weaknesses in the Committee's performance and potential adverse effect on the Use of Resources assessment.	A thorough review and assessment based on CIPFA guidance.

### Contact Officers

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### Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Audit Committee Effectiveness Checklist November 2019
2	Audit Committee Effectiveness Assessment November 2019
3	CIPFA Audit Committee Members Knowledge and Skills Framework

### Background Documents Available

Name of Background document	Where it is available
None	

### Tracking Information

Signed off by	Date sent
Legal Services	19/11/19
Section 151 Officer	N/A
Monitoring Officer	19/11/19
SMT	19/11/19

Circulated to	Date sent
Human Resources Manager	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	5/12/19
Executive (Cabinet)	N/A
Council	N/A