

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

18th June 2010

Report of: the Strategic Director (Resources)

**Title: Draft response to External Auditor's review of the
Effectiveness of the Audit Committee**

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

Contact telephone number: 0117 92 22448

RECOMMENDATION

The Audit Committee is recommended to consider and agree the draft responses to Grant Thornton's findings in the attached Action Plan, for Internal Audit to take forward.

Summary

The action plan details the proposed actions/responses to the issues raised by the External Auditor in their review of the effectiveness of the Audit Committee.

The significant issues in the report are:

- Action Plan at appendix A

Policy

None affected by this report.

Consultation

Internal: Audit Committee Members

External: None necessary

1. Background

- 1.1 As part of their annual audit plan, the External Auditor(EA), Grant Thornton, undertook an initial review of the effectiveness of the Audit Committee using the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum toolkit and available best practice.
- 1.2 The review was informed by the EA attending and observing the Audit Committee and the EA's wider experience in working with other committees from similar public sector bodies.

2. Matters Arising

- 2.1 The matters arising from the review have been detailed in appendix A together with draft responses, and where appropriate suggested actions in order to address the issues raised .

Equalities Impact Assessment

None required for this report.

Legal and Resource Implications

Legal - none sought

Resources - none arising from this report.

Appendices: Appendix A - Audit Committee Action Plan

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Grant Thornton's Review of the Effectiveness of the Audit Committee.

DRAFT

Audit Committee Action Plan

The following action plan details the Audit Committee response to the issues raised by the External Auditor (EA) as a result of their review of the effectiveness of the Audit Committee.

Item	Issue	External Audit Comment	Response/Actions
Key issues arising from Chartered Institute of Public finance and Accountancy (CIPFA) Checklist - where the outcome was either partial compliance or non compliance with the requirements.			
1	Does the Audit Committee periodically assess its own effectiveness?	The Committee comments on its effectiveness as part of their annual report. However a formal assessment under the CIPFA checklist should be carried out on a periodic basis.	Self evaluation completed in June 2007 after first year of operation and on receipt of CIPFA checklist. External Auditor review has provided a further review opportunity, and we will continue to do them but may need to vary the approach as CIPFA checklist has not changed since issue and therefore may need to assess for continued relevance.
2	Have members' skills and experience been assessed and training given for identified gaps?	A selection of training courses have been delivered to the Audit Committee on areas such as CAA, risk management and the Statement of Accounts. However a formal assessment of skills gaps for committee members has not been undertaken.	An independent member of the Committee has undertaken to provide Members' with a skills assessment template which can be adapted to suit the Committee's needs. Internal Audit to undertake targeted training on areas identified as a result of the assessment. Core Cities Audit Committee Chairs group currently reviewing Audit Committee training.
3	Are members sufficiently independent of the other key committees of the Council?	Some members of the Audit Committee are also members of the Resources Scrutiny Commission and have gained benefits from the wider understanding of financial issues. The Committee had made representations to Chartered Institute of Public Finance	The Committee undertake to share and review work programmes and Terms of Reference between the Resources Scrutiny Commission and the Committee in order to avoid duplication of work and to share best practice. The Chair of the Audit Committee and that of the

Item	Issue	External Audit Comment	Response/Actions
		Accountancy (CIPFA) seeking a revision to the guidance in relation to total separation from scrutiny.	Resources Scrutiny Commission are never the same Member. The Committee do not see the cross-over between the two function as a threat to their independence, but more as a positive benefit to their knowledge of Council affairs.
4	Are meetings free and open without political influences being displayed?	Meetings are held in public. Previous observations at committee have identified political influences being displayed.	The Committee is fully aware of the need to maintain a politically neutral forum for all committee meetings and Members strive to ensure that political influences to not encroach on their deliberations.
5	Does the Audit Committee annually review the accounting policies of the authority?	Any material changes in accounting policies are highlighted in the Annual Accounts report to the Committee. However, the Committee should consider separate considerations of these prior to the preparation of the draft accounts.	Will be covered within the training on the Statement of Accounts prior to consideration of the Accounts and the covering report itself.
6	Does the Audit committee assess the performance of the external auditor?	The External Auditor will discuss with the committee specific examples of performance arrangements they have put in place in other bodies. These include an assessment checklist and introducing specific performance arrangements.	Internal Audit are currently reviewing methods of performance assessment for External Auditors with other Core Cities and will feedback to the Audit Committee in due course.
7	Does the Audit Committee issue guidance and/or a proforma concerning the format and content of the papers to be presented?	No specific guidance has been issued for reports to the Audit Committee but a general format for committee reports is in place. So that the Committee's discussions remain focussed on action planning, report preparers should ensure that they undertake a thorough review of the cover sheets to provide appropriate focus on the key messages and specific actions required by the Committee.	The current report format does allow for the identification of 'Significant' areas, allowing the author to draw key issues within the report to the immediate attention of the recipient. However, this focus can be lost when the key elements become too wordy and lose direction. Therefore, authors of future Audit Committee reports will be reminded of the need to focus the Committees's attention on key areas within the report, utilising concise wording, and to not lose the significant elements within excess narrative on the front

Item	Issue	External Audit Comment	Response/Actions
			sheet.
8	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	Key outcomes of the committee discussions are disclosed in the minutes from the previous meeting. However, a matters arising report is not specifically prepared.	A matters arising action sheet template has been prepared and utilised for issues arising from the meeting of 16 th April 2010. This action sheet will be reviewed at the meeting of 18 th June and all subsequent meeting with additions and deletions as and when matters arise and are appropriately dealt with.
9	Do action points indicate who is to perform what and by when?	Actions are discussed in the meetings however these need to be more explicitly set out in an action plan, setting out recommendation, responsible officer and timescale and should be monitored for progress at each meeting.	See above and copy of current action plan is contained within meeting minutes.
Other Key Issues:			
10	The Committee should consider whether the Chair from the Audit Committee and Resources Scrutiny Commission should formally meet on a periodic basis to discuss forward plans to ensure that there are no gaps in the respective roles and responsibilities of each committee.	N/A	As previously stated at (3) both committees undertake to review their Terms of Reference and work programmes in order to avoid duplication and promote joint working.
11	Format of agendas should be reviewed to consider assigning designated time limits for discussion of agenda items.	N/A	The Committee discussed this item at their 16 th April meeting and it was resolved that time restrictions on discussion items was not a process they wished to adopt at this time.
12	The Committee should challenge the need to add 'ad-hoc' items to its agenda to ensure that the annual work programme remains manageable.	N/A	A review of the annual work programme is a standing item on the agenda for each committee meeting. Forthcoming items are considered in order to ensure key issues are addressed within time available. The Committee has considered it necessary, from time to time, to add significant

Item	Issue	External Audit Comment	Response/Actions
			“ad hoc” items to its programme as the need arose, where appropriate the programme is adjusted accordingly.