

REPORT TO: Business Efficiency Board

DATE: 25 February 2009

REPORTING OFFICER: Strategic Director – Corporate & Policy

SUBJECT: Business Efficiency Board – Role as Audit Committee

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To report on the activity of the Business Efficiency Board in regard to its role as the Council's Audit Committee and to recommend an amendment to its terms of reference to ensure that it is consistent with CIPFA guidance.

2.0 RECOMMENDATION: That

- 1) The Business Efficiency Board notes its role and activities as an Audit Committee;**
- 2) Approves the proposal to submit a revised terms of reference to Council as part of the annual review of the Constitution.**

3.0 SUPPORTING INFORMATION

Impact of the Business Efficiency Board (as an Audit Committee)

- 3.1 The Business Efficiency Board came into being in May 2006. Included within its remit is to act as the Council's Audit Committee.
- 3.2 Since it was formed, the Board has met regularly, i.e. on no less than six occasions each year. The Board has eleven members and is politically balanced. It is independent of the Council's executive and scrutiny functions in accordance with best practice. Meetings of the Board have always been well-attended.
- 3.3 Regular attendees at the Business Efficiency Board are the Strategic Director – Corporate & Policy and the Chief Internal Auditor. Other attendees have included the Operational Director – Financial Services, the Chief Executive, the Chief Accountant, the Operational Director – Policy & Performance and the appointed External Auditor.
- 3.4 In its role as the Council's Audit Committee, the Board has:

- Approved the draft abstract of accounts for submission to the External Auditor;
 - Received the External Auditor's Annual Governance Report;
 - Approved the Council's Annual Governance Statement (formerly the Statement on Internal Control);
 - Approved the Internal Audit Strategy and Annual Plan;
 - Received and approved Quarterly and Annual Reports from Internal Audit.
- 3.5 The Board has provided robust challenge across a range of internal and external audit reports and has sought explanations from officers, when considered necessary, on risk and control issues.
- 3.6 Members of the Board have identified a need for training on the Statement of Accounts, which will be delivered at the Board's meeting on 3 June 2009.

Core functions of an Audit Committee

- 3.7 CIPFA guidance on Audit Committees states that they should:
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
 - Approve (but not direct) internal audit's strategy, plan and monitor performance.
 - Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
 - Receive the annual report of the head of internal audit.
 - Consider the reports of external audit and inspection agencies.
 - Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

- Review the financial statements, external auditors' opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 3.8 To bring the Business Efficiency Board's terms of reference into line with the CIPFA guidance, it is recommended that some minor amendments are made to its responsibilities. Specifically, this includes making more explicit the Board's responsibilities in respect of:
- Risk management;
 - Counter fraud & corruption;
 - Receiving reports from External Audit and inspection agencies.
- 3.9 A revised terms of reference is attached at Appendix A, with the significant changes highlighted in bold.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 Although legislation does not require local authorities to have an audit committee, a council is required 'to ensure that its financial management is adequate and effective and that it has a sound system of internal control that facilitates the effective exercise of its functions'. Furthermore, section 151 of the Local Government Act 1972 requires a council to 'make arrangements for the proper administration of its financial affairs'. A council's audit committee therefore has an important role in supporting and challenging these arrangements.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 5.1 The Business Efficiency Board, as the Council's Audit Committee, is part of the framework that provides assurance that the Council's financial stewardship and governance arrangements provide for the economic, efficient and effective use of the resources. It therefore supports the achievement of all the priorities listed below:
- Children and Young People in Halton
 - Employment, Learning and Skills in Halton
 - A Healthy Halton
 - A Safer Halton
 - Halton's Urban Renewal
 - Corporate Effectiveness and Efficient Service Delivery

6.0 RISK ANALYSIS

6.1 This report is for information purposes only. However, an effective audit committee helps to raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. It also enhances public trust and confidence in the financial governance of an authority.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None identified.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact
Audit Committees – Practical Guidance for Local Authorities (CIPFA)	6 th Floor, Municipal Building, Kingsway, Widnes	Mervyn Murphy

Business Efficiency Board – Revised Terms of Reference

Efficiency and Improvement

1. To draw up an Efficiency Strategy for the Authority ensuring that it meets its statutory requirements for securing Best Value and complies with the requirements placed upon it in relation to reporting efficiency gains.
2. To draw up and oversee a programme of reviews aimed at securing continuous improvement in the efficiency and effectiveness of Council services.
3. To promote partnership working and collaboration with other public and private bodies where that supports the Council's Efficiency Strategy.
4. To monitor the Council's performance against the Efficiency Strategy, particularly in relation to the identification and realisation of efficiency gains.
5. To ensure the Council has processes in place to benchmark its activities and to learn from best practice to ensure continuous improvement in its performance.
6. To monitor the implementation of the Council's Procurement Strategy.
7. To oversee the Council's preparations for any organisational assessment process.

Audit

8. To approve, but not direct, internal audit's strategy, plan and monitor performance.
9. To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
10. To consider the annual report of the Chief Internal Auditor.
11. **To consider the external auditor's annual letter and relevant reports.**
12. **To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.**

Accounts

13. To review and approve the annual statement of accounts.

Appendix A

14. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Governance

15. To consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.
16. **To be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.**
17. To review and approve the Annual Governance Statement.

Risk Management

18. **To review the adequacy of arrangements for identifying and managing the Council's business risks, including the Council's Risk Management Policy and its implementation.**
19. **To review the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements.**
20. **To receive and consider regular reports on the risk environment and associated management action.**

Anti-Fraud and Corruption arrangements

21. **To monitor and review the adequacy of the Council's anti-fraud & corruption policies and arrangements.**