

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Audit & Accounts Committee

11 February 2022

TITLE:	Role and Responsibilities of the Audit & Accounts Committee
PORTFOLIO HOLDER:	Cllr Ralphs – Leader of the Council
CONTACT OFFICER:	John Betts - Interim Executive Director Finance and Revenues & Benefits
WARDS INVOLVED:	Non Specific

Appendices attached:
Audit & Accounts Terms of Reference

1. Reason for the Report

- 1.1 At its previous meeting, an issue was raised regarding the relative roles and responsibilities of this committee compared with that of the Resources Overview & Scrutiny Panel. This report outlines the distinctive roles of both committees to add clarity and focus to the work of the Audit and Accounts Committee.

2. Recommendations

- 2.1 That the Committee notes the report.

3. Executive Summary

- 3.1. The purpose of the Audit & Accounts committee is to provide review of the Council's governance, risk management and control frameworks and oversee the financial reporting and annual governance processes. The focus is thus primarily on frameworks and strategy.
- 3.2. Alongside that, there is the oversight of internal audit and external audit. This is part of ensuring efficient and effective assurance arrangements are in place. Discharging these responsibilities includes more specific activities such as approval of the internal audit plan and charter, alongside (amongst other things) approving the annual statement of accounts.

- 3.3. By contrast, the Resources Overview & Scrutiny Panel is responsible for the overview and scrutiny of finance and resources, customer services and performance management. This includes matters such as the budget and policy framework, service improvement and performance monitoring, resource allocation and accessibility of services. So financial planning strategy (such as the medium term financial plan) is considered by the scrutiny panel, alongside the performance and improvement of specific services that fall within the remit of the Panel.
- 3.4. So, overall governance, financial reporting and risk management considerations fall within the purview of this committee, alongside more detailed scrutiny of internal and external audit matters. Budget setting and financial planning and monitoring, alongside performance and service management falls to the Resources Scrutiny panel.
- 3.5. To demonstrate how this works in practice, the agenda items were considered at the previous meeting for the following reasons:

Agenda Item	Rationale
Internal Audit Progress report	This committee has responsibility for internal audit performance throughout the year and regular progress reports from the Head of Internal Audit clearly discharge this. As the committee also approves the annual audit plan, committee Members would know there were no resources available for additional requests for new (unplanned) pieces of work, without also identifying implications for the plan's coverage. Queries about expenditure on particular items could be targeted to Scrutiny panels (but would not then have the independent assessment of internal audit)
Risk Management Update	This committee approves the overall risk management strategy and monitors the development of risk management of the Council. Hence it received a report that scrutinised the Council's <u>overall</u> risk management arrangements. Concerns about specific risks (particularly operational risks) would be passed on to services or the appropriate scrutiny panel(s)
Whistleblowing Policy	Part of the committee's remit is to review the Council's corporate governance arrangements, including the specific approval of the Council's whistleblowing policy.
National Scheme for Auditor Appointments	Part of the committee's remit is to also review any issues raised by Public Sector Audit Appointments (PSAA) – this agenda issue related to appointing auditors, acknowledging that the decision had to be made by full Council.

- 3.6 In relation to the Internal Audit service, one of the key functions of the Audit committee is to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework

In turn, the mission of internal audit which is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. A key principle is that the internal audit service is objective and free from undue influence.

- 3.7 There was a specific request at the previous committee for internal audit to undertake a particular, additional piece of work. It is important to note three things in relation to this. Firstly, the Chartered Institute of Public Finance & Accountancy (CIPFA) publishes best practice guidance in '*Audit Committees : Practical Guidance for Local Authorities and Police (2018 Edition)*'. In the guidance it states the following:

"The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan takes into account the requirement to produce an annual internal audit opinion that can be used to inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance"

- 3.8 Secondly, the Terms of Reference for this committee state that (amongst other things) the committee approves the risk-based internal audit plan.
- 3.9 Thirdly, The Public Sector Internal Audit Standards (PSIAS) are clear that internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results, Therefore, the Head of Audit prepares the audit plan annually based on an established risk assessment process. The Audit Committee reviews and approves the plan and monitors progress against it as part of its oversight role. And, of course, the Audit committee seeks to support Internal Audit as well as promote its independence.
- 3.10 Should members of the Audit committee highlight issues that present genuine potential control/risk/fraud implications that require prompt action, the Head of Audit reviews these on an individual basis and assesses and compares them to other identified risks, as part of the assessment of the overall control environment. However, it is not appropriate for the committee to direct (or redirect) the work of internal audit, as that has the potential to impair the independence of the internal audit function. The committee does approve the internal audit plan and any amendments to the plan that the Head of Audit may update on. In considering such work, the Head of Audit will also need to consider the core role and coverage necessary in any given year to properly assess the overall control environment. Committee members can monitor this

throughout the year and scrutinise it when approving the annual risk-based internal audit plan. So all of this is undertaken *in conjunction with* the Audit committee, which also holds internal audit to account for performance against the plan. But it does not **direct** the risk-based plan.

- 3.11 This should summarise the distinctions between the functions of this audit committee and scrutiny committee(s) as well as the role of the committee in supporting and monitoring the internal audit service, but importantly not directing its detailed work.

4. How this Report Links to Corporate Priorities

- 4.1 The focus of the work of this committee (and its relationship with other committees / panels) helps to confirm effective use of financial and other resources to ensure value for money and effective governance.

5. Options and Analysis

- 5.1 There are no options to consider.

6. Implications

- 6.1 Community Safety - (Crime and Disorder Act 1998)
None.

- 6.2 Workforce
None.

- 6.3 Equality and Diversity/Equality Impact Assessment
None

- 6.4 Financial Considerations
No direct consequences, but good governance will contribute towards achieving better value for money.

- 6.5 Legal
None

- 6.6 Sustainability
None.

- 6.7 External Consultation
None

- 6.8 Risk Assessment
There is a risk that without proper focus on the terms of reference for committees / panels then work could be duplicated or omitted. This report seeks to mitigate that by identifying respective roles and responsibilities.

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**Web Links and
Background Papers**

Location

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