

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

28TH JANUARY 2008

1. ESTABLISHMENT OF THE AUDIT COMMITTEE – NEXT STEPS

Report of the Clerk and Treasurer.

RECOMMENDED

- 1) That the job description in respect of the post of Independent Member be approved;
- 2) That the work programme be approved.

2. PURPOSE OF THE REPORT

To remind the Committee of its Statement of Purpose and Terms of Reference, and to indicate further steps that need to be taken.

3. BACKGROUND

Terms of Reference

- 3.1 The Authority, at its meeting on 24th September, 2007 [Minute No. 49/07] approved a proposal to establish an Audit Committee, with the terms of reference set out at Appendix 1, and with the Statement of Purpose as follows:

“The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process”.

Independent Member

- 3.2 The Authority also decided that with effect from the Annual Meeting of the Authority in 2008/09, the membership of the Committee will include

one independent Member to serve for a three-year term of office, without voting rights. The Clerk was authorised to advertise the vacancy of independent Member with a view to making an appointment effective from the Annual Meeting in June, 2008. The Audit Committee is to shortlist and interview candidates and make a recommendation to the Authority on a suitable appointment.

- 3.3 A suggested job description for the Independent Member is attached as Appendix 2 for the Committee's consideration.

Work Programme

- 3.4 The Chartered Institute of Public Finance and Accountancy [CIPFA] recommends that audit committees should meet regularly, perhaps four times per year. In line with the principles of openness and transparency, meetings of the audit committee will normally be held in public unless the nature of its enquiries is such that it is likely that information disclosed will fall within the exemptions provided for under Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, when that part of the meeting would be held in private.
- 3.5 The CIPFA guidelines with regard to meetings of the Audit Committee suggest that one meeting annually should be used to set a work programme for the year ahead.
- 3.6 A draft work programme based on four meetings per year is being prepared for the Committee's consideration and approval and will be available at your meeting. The work programme will assist preparation for Committee meetings as well as giving balance and structure to the work of the Committee, and will be reviewed and updated on a regular basis.
- 3.7 The Committee will be regularly attended by the Treasurer, the Head of Finance and Procurement, Sandwell MBC's Audit Services Manager and where appropriate, the appointed external auditor. The Committee has the right to call any officers or agencies of the Authority to attend as required. CIPFA also recommends that Audit Committees should meet privately and separately with the external auditor and the Audit Services Manager. Reference will be included in the Work Programme to suggested dates for such private meetings, which it is suggested could take place immediately prior to the formal Committee meetings.

Self Assessment

- 3.8 The CIPFA guidelines also recommend that Audit Committees review their effectiveness by measuring their performance against a self

assessment checklist. It is suggested that the Committee might wish to undertake such an exercise following its first year of operation.

4. EQUALITY IMPACT ASSESSMENT

- 4.1 In preparing this report an initial Equality Impact Assessment has been carried out, which did not raise issues which require a full Equality Impact Assessment to be completed.

5. LEGAL IMPLICATIONS

- 5.1 At present there are no legal or statutory requirements on local authorities to establish an audit committee. However, it is increasingly being regarded as good practice in the public sector, and it is in line with the principles of openness and transparency in business embodied in the Local Government Act 2000, which defines the present structure and conduct of local government. The establishment of an Audit Committee is endorsed by CIPFA, recommended by the Authority's external auditors, and is necessary in order to fulfil the demands of the current Comprehensive Performance Assessment process.

6. FINANCIAL IMPLICATIONS

- 6.1 All costs arising from the establishment of an Audit Committee, including the advertising costs in connection with the appointment of an Independent Member, can be met from existing resources.

BACKGROUND PAPERS

Authority report dated 24th September, 2007 'Proposal to Establish an Audit Committee'

Audit Committees – Practical Guidance for Local Authorities [CIPFA]

SUE PHELPS
CLERK

LYNDA BATEMAN
TREASURER

Audit Committee – Terms of Reference

1. To undertake the following matters which are delegated to it:-

Audit Activity

- (1) approve the internal audit strategy;
- (2) consider the Audit Services annual report and opinion, and a summary of internal audit activity and the level of assurance it gives over the Authority's governance, risk management and internal control arrangements;
- (3) consider any summaries of internal audit activity and specific internal audit reports requested by the Committee;
- (4) consider reports dealing with the management and performance of Audit Services where necessary;
- (5) consider a report from Audit Services on the timeliness of management responses to internal audit reports and on agreed recommendations not implemented within a reasonable timescale;
- (6) consider specific reports as agreed with the external auditor and the report to those charged with governance where necessary;
- (7) comment on the scope and depth of external audit work and to ensure it gives value for money;
- (8) liaise with the Audit Commission over the appointment of the Authority's external auditor;

Regulatory Framework

- (9) maintain an overview of contract procedure rules and financial regulations;
- (10) review any issue referred to it by the Chief Fire Officer, Clerk or Treasurer, or any Authority body;

- (11) monitor the effective development and operation of risk management and corporate governance in the Authority;
- (12) monitor Authority policies on 'Raising Concerns at Work', the anti-fraud and anti-corruption strategy and the Authority's complaints process;
- (13) oversee the production of the Authority's Governance Statement¹ and to recommend its adoption;
- (14) consider the Authority's arrangements for corporate governance and recommending necessary actions to ensure compliance with best practice;
- (15) consider the Authority's compliance with its own and other published standards and controls;

Accounts

- (16) review the annual statement of accounts, and specifically, consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority;
 - (17) consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 2. To deal with any other matters referred to it by the Authority.
 - 3. To submit its minutes to the Authority

¹ Formerly the Statement on Internal Control

