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Effective Audit Committees

Audit Committee Workshop
June 2015

Northampton Borough Council

Agenda

Aims and objectives

The role of the audit committee

Audit committee functions

An effective audit committee

Case studies

Summary

Reference sources - examples

‘Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition’ – Chartered Institute of Public Finance and Accountancy (CIPFA)

Others

- ‘Audit Committees – Good Practices for Meeting Market Expectations’ – PwC
- www.icaew.com/en/library/subject-gateways/corporate-governance/audit-committees
- FRC Guidance on Audit Committees
- Checklists from KPMG, Deloitte and Ernst & Young
- HM Treasury Audit Committee Handbook 2013

CIPFA Position Statement (extract)

Audit committees are a key component of an authority's governance framework.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

‘Those charged with governance’ means the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.

Audit Committee – Core Functions

Annual Governance Statement (AGS)

Internal Audit

Risk Management

Assurance Frameworks and Assurance Planning

Value for Money and Best Value

Countering Fraud and Corruption

External Audit

Financial Reporting

Partnership Governance

Possible wider functions

Risk and performance

- A PwC survey shows how performance can be destroyed in risk areas



CIPFA - Good audit committees are characterised by:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
- A strong independently minded chair – displaying a depth of knowledge, skills and interest.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

Knowledge and skills

Core skills

- Strategic thinking and understanding of materiality
- Questioning and constructive challenge
- Focus on improvement
- Able to balance practicality against theory
- Clear communication skills and focus on the needs of users
- Objectivity
- Meeting management skills

Case studies - 1

Tower Hamlets

Local Government Secretary Eric Pickles sent an inspection team to examine allegations of governance failure, poor financial management and fraud at the London Borough of Tower Hamlets (April 2014)

Inspectors looked at evidence of the council's payment of grants, the transfer of property, publicity-related spending decisions and other contractual processes between October 25 2010, when the mayoral administration was formed, and the present day.

The PwC report was published on 4 November 2014 and found evidence of serious irregularities and a lack of transparency over the awarding of public grants and disposal of public buildings.

Case studies - 2

Caerphilly County Borough Council

Audit of Accounts 2012-13 - Report in the Public Interest

I have issued this report to draw the public's attention to a failure in governance arrangements and inadequacies in the processes adopted by Caerphilly County Borough Council to determine the pay of chief officers. As a result of such failures the Council has, in my view, acted unlawfully with regards to this pay-setting process.

Case studies - 3

Bristol City Council – Purchase card expenditure

Daily Mail (March 2015)

Bristol City Council staff used cards to spend nearly £700k of public money.

This figure included £170 on a pair of Ugg boots and £44 in a tattoo parlour.

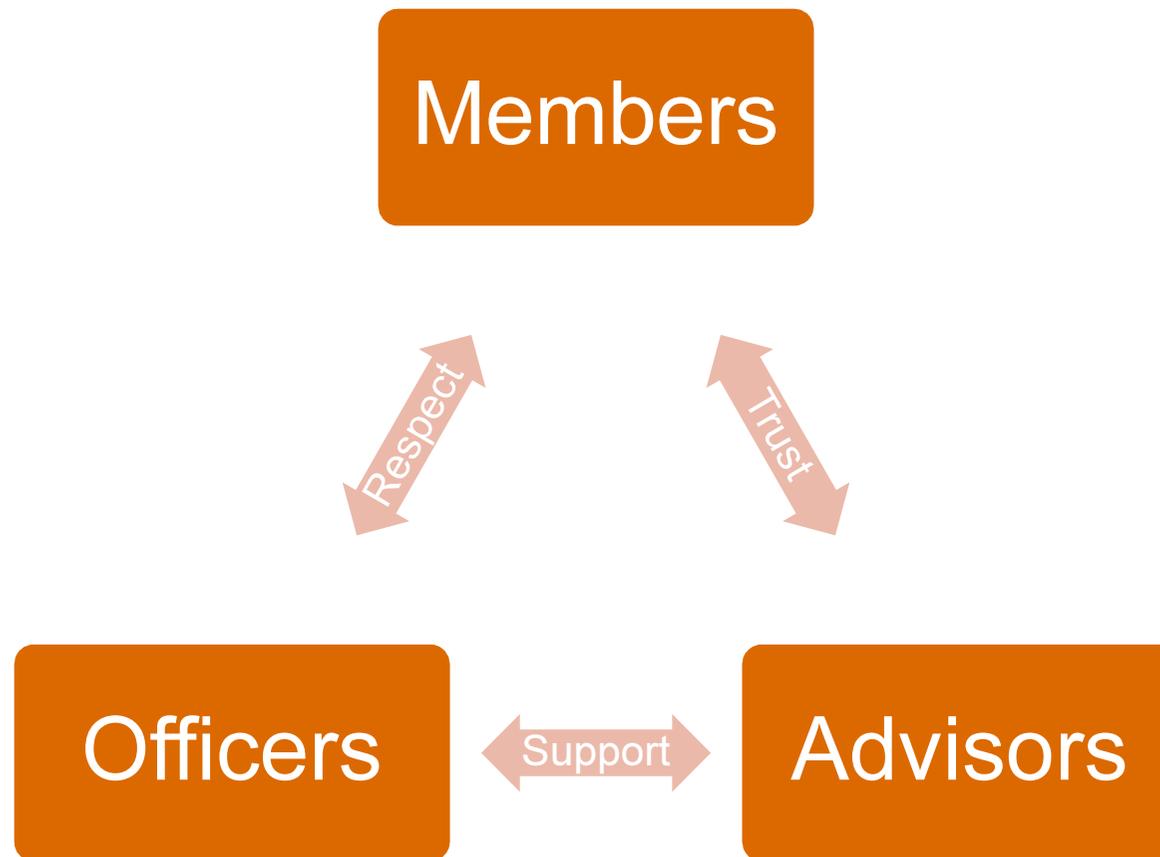
Total of £37,894 spent online at Amazon and £686 on iTunes downloads.

Being effective

Key messages

- Understand your council
- Refer to available guidance
- Be objective
- Challenge – ask the questions you want to
- Work with your officers and advisors

An effective council



Audit committees are ~~at~~ the key component of an authority's governance framework.

...any questions?

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