

Key Decision	No
Listed on Forward Plan	Yes
Within Policy	Yes
Policy Document	

AUDIT COMMITTEE BRIEFINGS PROTOCOL

Contact Officer : **Duncan Wilkinson, Head of Audit & Risk Management**

1. Purpose

- 1.1. To outline the rationale and practicalities of a draft protocol for briefing Members outside Audit Committee meetings for comment.

2. Recommendations

- 2.1. That the Committee ask Cabinet to comment on the protocol (Annex B)
- 2.2. That the Committee identify any changes it wishes to propose to the Audit Report Publication Protocol (Annex C).

3. Issues and Choices

- 3.1. The Committee needs to gain an understanding and knowledge of the adequacy of systems of control throughout the Council so that it can provide assurance to Full Council regarding the adequacy of control ie Corporate Governance arrangements throughout the Council.
- 3.2. The issues arising throughout the Council from Audit, Risk Management and Financial Management are often sensitive. The purpose of submitting information to the Audit Committee is NOT to provide a source of information highlighting poor performance or embarrassing the Council. The Audit Committee plays a pivotal role in good governance for Milton Keynes Council by providing an informed and objective assurance to the Council on governance issues and arrangements.
- 3.3. To provide such assurance the Committee must gain assurance that :
- The Committee is able to control its own **workload**
 - The work of the Audit & Risk service adequately **covers all Council activities**
 - A&R services are **suitably qualified and resourced**
 - Control weaknesses identified are **improved as agreed** within reasonable timescales

- The independence of Audit & Risk service is protected and **not improperly influenced**
- 3.4. To facilitate the work of the Committee and ensure agenda's do not overwhelm members most reporting is done by a combination of making all work available to the Committee but highlighting specific items on an exception basis. The Committee must be able to see the "whole picture" in order to satisfy itself that the exceptions reported are indeed exceptions rather than only those issues officers are "allowed" to report.
- 3.5. However safeguards must exist to ensure that by providing such information the Council, the Committee and the services of the Council are not undermined.
- 3.6. The proposed protocol seeks to address these sensitivities. It also seeks to establish agreed mechanisms to increase understanding by all stakeholders on why and how such information will be provided so that the Committee is able to discharge its functions without undermining the Council or its services.
- 3.7. It is also highlighted that this protocol does not seek to replace or supersede required briefings to the Cabinet Member responsible for Audit & Risk. One of the purposes of the protocol is to ensure that relevant stakeholders are not given or perceived to be given preferential briefings and a clear understanding exists for "who is being briefed what and when".
- 3.8. For that reason it is recommended that the Committee seeks the comments and views on this protocol from Cabinet.
- 3.9. To achieve the objectives set out in 3.3 above, the protocol is structured into 5 areas :
 - 3.9.1. Committee Workload Programme
 - 3.9.2. Audit Coverage
 - 3.9.3. Audit Capability
 - 3.9.4. Control Improvements
 - 3.9.5. Audit & Risk Independence
- 3.10. Annex A provides the draft protocol together with short explanatory narrative within each section (in italics). This narrative seeks to provide a brief explanation of what that section of the protocol is attempting to achieve and the tensions being managed.
- 3.11. Annex B provides the draft protocol without explanatory narrative.
- 3.12. Annex C is provided also setting out the report publication protocol agreed via BMG last year. This provides context for the briefing protocol but the protocol was also adopted in June 2005 by BMG with the requirement that it be reviewed in 12 months. No changes are proposed.
- 3.13. Assurance regarding the independence of the Audit & Risk service ie assurance that undue influence is not evident, provides perhaps the most sensitive / contentious area. The Committee must be able to obtain assurance that the Audit & Risk Service is not influenced by inappropriate pressure. For routine work such pressures are unlikely to arise.
- 3.14. Difficulties could arise when considering confidential investigations and more significant control weaknesses that are found. The service is called upon to investigate "problems" occurring within the Council. Such investigations can identify evidence that could lead

some stakeholders to attempt to inappropriately influence the service regarding the report produced.

3.15. Such influence can equally involve attempts to :

3.15.1. suppress findings

3.15.2. exaggerate findings

3.16. The protocol is not proposing that briefings take place regarding every special investigation or similar work. The routine reports submitted to the Committee regarding the audit plan progress and key issues arising provides the opportunity to summarise special investigation workloads and any specific matters that merit mention. The protocol seeks to provide a mechanism that enables briefings at an earlier stage which due the nature of issues under consideration could represent matters of significance.

3.17. The need for specific briefings will rely upon the professional judgement of the Head of Audit & Risk Management, and possibly in consultation with other relevant statutory officers where appropriate.

3.18. The ability to provide assurance to the Committee that issues are reported without any undue influence cannot rely on examination of the final report. Realistically a mechanism must exist to inform the Committee of serious matters at an early stage so that when the final report is issued the Committee can be satisfied all relevant issues have been properly resolved in the knowledge of the issues evident earlier.

3.19. A mechanism to ensure the Committee is briefed on appropriate matters at an early stage also acts as a deterrent that should prevent attempts to inappropriately influence audit reporting but it would not prevent stakeholders properly challenging audit conclusions etc.

3.20. Briefings for the Committee as a whole are unworkable both from the perspective of protecting investigative integrity and the practicality of confidentially briefing the Committee during its meetings.

3.21. The key factor is who should be briefed and 3 options have been identified :

- Briefings as part of routine Chair / Spokespersons briefings
- Joint briefings of Chair and relevant Cabinet Member
- Individual briefings of Chair and relevant Cabinet Member

3.22. **All such briefings will be undertaken on a confidential basis.**

3.23. Joint briefings with the Chairman and relevant Cabinet Member could raise tensions regarding the potential political sensitivities.

3.24. Separate briefings for Chairman and relevant Cabinet Member may foster concern regarding the detail provided particularly if any information is leaked to a wider audience.

3.25. The option to brief the Chairman and relevant spokespersons does increase the risk of undermining investigative integrity but is consistent with the briefing arrangements for committees.

3.26. It is therefore proposed to include within the protocol :

- 3.26.1. That the Head of Audit & Risk Management will advise the relevant Cabinet member when an issue, in his opinion, requires the Audit Committee to be briefed.
 - 3.26.2. Where the relevant Cabinet Member does not agree the issue will be referred to the Councils Monitoring officer.
 - 3.26.3. That the Head of Audit & Risk Management, following confirmation from the Monitoring Officer where necessary, will arrange either a specific meeting to brief the Chairman and spokespersons or include such briefings at the next routine planning meeting.
 - 3.26.4. Once investigations are concluded the report will be copied to the Chairman and Spokespersons of the Audit Committee.
 - 3.26.5. Where matters under investigation involve either directly or indirectly a Councillor, an independent member of the Committee will be briefed and receive the report.
- 3.27. The content of any briefing will depend on individual issues and are proposed to inform the Committee on matters under consideration to enable the Committee (through the Chairman) to gain appropriate confidence that such matters are dealt with properly and independently. The only action required following the briefings would be to begin consideration of whether such confidential matters may need specific consideration as an agenda item at future meetings, which will also be influenced by the outcome.

4. Implications

4.1. Policy

4.1.1. None

4.2. Resources & Risk

4.2.1. The briefings proposed place additional demands on senior Audit resource and therefore relevant members are asked to be conscious in the flexibilities required.

4.2.2. The protocol seeks to address the risk or tensions evident between the executive / operational needs and the role of the Audit Committee arising during any non routine audit work. The protocol also seeks to provide a structure that ensures that investigative integrity can be maintained and the confidential nature of briefings for work currently in progress is clear to all parties.

N	Capital	N	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

4.3. Legal

4.3.1. The protocol seeks to provide a framework by which the legal risks are properly managed including Human Rights Act, Data Protection Act etc whilst balancing the statutory role for the Committee eg Accounts and Audit Regulations 2003 etc.

4.4. Other Implications

- 4.4.1. The protocol is aimed at introducing some shared understanding of the need and means by which potentially sensitive and confidential information will be shared with the Committee and perhaps its Chairman. The key stakeholders for this protocol in addition to the Committee itself are the Cabinet, Full Council and Officers.
- 4.4.2. It is probable that sensitive matters in relation to potential crimes committed against the Council will need discussion / consideration on a confidential basis.
- 4.4.3. The integrity and future success of the Audit Committee relies upon building confidence with the Cabinet and Officers that the information requiring consideration by the Committee is not used inappropriately.

N	Equalities / Diversity	N	Sustainability	N	Human Rights
N	E-Government	Y	Stakeholders	Y	Crime & Disorder

Background Papers :

AUDIT COMMITTEE BRIEFING PROTOCOL

None of these mechanisms replace or precede the information being provided to officers and / or Cabinet members so that the operational issues can be addressed without delay. Cabinet members receive copies of all final reports when issued to officers and are briefed by their service managers as considered appropriate.

1. Workload Programme

Regular meetings to agree papers and the work programme of the Committee will be held with relevant officers together with the Chair and relevant spokespersons. This meeting will consider :

- previous meeting
- next meeting draft papers
- subsequent meeting agenda

This briefing seeks to allow the Committee to manage and set its own workload balancing members items / interests with those items that must be considered to meet Audit Committee requirements. It allows members to prioritise items and consider alternative and flexible means for the Committee to consider items.

2. Audit Coverage

Annual Audit Plans are submitted to the Committee for consultation and periodic reports throughout the year (as set out below) provide an update on progress to completing the plan.

This consultation is part of the authority wide officer and member consultation each year. Specifically the Committee can request items to be included within plans but this consultation has the primary aim of giving assurance that the plan adequately covers the Council's activities.

3. Audit Capability

The Committee gains this knowledge and experience over time as it monitors A&R services. Individual Audit Reports together with periodic summaries of audit work develops this understanding and knowledge through 2 key processes :

(1) Individual Audit Reports

The Performance Review and Audit Panel adopted a protocol that all Audit Reports would be published unless specifically exempt under the Freedom of Information Act or other legislation preventing publication.

A list of these reports is circulated to Members of Cabinet and the Audit Committee periodically. Copies of any specific report are provided on request and on a specified date reports are then published. This is usually done monthly but is dependent on resources.

Consideration of every audit report would overwhelm the Committee with excessive detail. However the ability of the Committee to have access to every report is essential as it provides a means by which the Committee can maintain control of their workloads and be assured that the service maintains adequate coverage of Council activities in line with plans..

Publication of every report also gives members assurance because by having sight of every report gives an ability to assess the quality of the work. Additionally informing members of the responses from management regarding findings and recommendations is in itself a quality control mechanism.

Providing the Committee with the ability to call any report to the Committee for individual consideration also enables service manager attendance, again providing a quality control assurance.

This does raise the issue of how matters that cannot be published because of confidentiality issues are dealt with.

(2) Periodic Summary of Key Issues

Within quarterly reports an outline of progress in completing the Annual Plan is provided including a short summary of key reports. Summarising those audits that found key control weakness for Members also provides a flexible basis for the workload of the Committee to be managed as it removes the need to read the detail of every audit report.

This again ensures the Committee is not overwhelmed by volumes but provides assurance that the plan is being achieved (or what measures are being taken / needed to address any shortfall) and provides a prompt to Members on key issues they may wish to consider individually.

It therefore provides assurance regarding the work of A&R services and exception based reporting to avoid overwhelming agendas.

4. Control Improvements

It is perhaps the key measure of the service that controls are improved and the Committee should receive periodic updates (as part of quarterly reporting) on the :

- results of follow up work (completed 6 months after Final Report is issued)
- trends of implementation / non implementation
- management reasons why controls have not been improved as agreed

This provides assurance to the Committee that controls are being improved as agreed or if not why not. That process acts as a further basis for the Committee to develop assurance regarding the adequacy of council wide control systems and further opportunity to assess the quality of Audit work.

5. A&R Independence

That the Head of Audit & Risk Management will advise the relevant Cabinet member when an issue, in his opinion, requires the Audit Committee to be briefed.

Where the relevant Cabinet Member does not agree the issue will be referred to the Councils Monitoring officer.

That the Head of Audit & Risk Management, following confirmation from the Monitoring Officer where necessary, will arrange either a specific meeting to brief the Chairman and spokespersons or include such briefings at the next routine planning meeting.

Once investigations are concluded the report will be copied to the Chairman and Spokespersons of the Audit Committee.

Where matters under investigation involve either directly or indirectly a Councillor, an independent member of the Committee will be briefed and receive the report.

This seeks to provide assurance to the committee, through the Spokespersons, that matters are not suppressed but also creating a process that give confidence to officers and Cabinet that such sensitive matters will not be used inappropriately, thus protecting the integrity of investigations.

On receipt of the final report consideration whether the issues arising earlier have been properly and independently addressed and reported can be made. It will also be possible to make an informed view on whether the Committee should consider the matter specifically and how best such consideration can be achieved eg private session etc.

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PROTOCOL FOR THE PUBLICATION OF INTERNAL AUDIT FINAL REPORTS

1. All final audit reports will be published by the first working day of each month. Should any reports contain exempt information as permitted in the Freedom of Information Act, then either the relevant details will be blanked out or the report published in a summary form that does not contain exempt information, provided that in all cases the information not published will be the minimum necessary to preserve commercially and personally sensitive data.
2. Prior to publication of reports the Council's Executive (officers and/or Cabinet Members as appropriate) shall be provided with a copy intended for publication at least five working days prior to publication (to coincide with the publication schedule) and in the case of reports deemed sensitive by the Head of Audit and Risk Management shall be provided in a similar way to Committee Members at least 48 hours prior to publication. Reports issued using this process shall be regarded as confidential until they are published.
3. All final audit reports will be published and made available in the same manner as all other Council reports.
4. All final audit reports including matters not published will be available for members of the Performance Review and Audit Panel and other Members upon request.
5. At the request of any Member of the Panel or the Chair of the Panel, in consultation with the Head of Audit and Risk Management, significant final reports will be brought before the Panel for deliberation.
6. Panel Members will be provided with a list of work in progress on a quarterly basis. Panel Members can request copies of draft reports after the Final Report has been published to verify that audit reporting was not unduly influenced. Significant matters will be verbally and privately reported to the Panel in advance of the Final Report where the Head of Audit and Risk Management considers it appropriate to do so, at the same time as Cabinet members are informed.
7. Any follow up reports will be dealt with in the same format as final reports.
8. Some Internal Audit reports that contain information that could be deemed to be commercially sensitive and, therefore, not subject to publication in full will mostly concern the Council's major contractors, such as HBS or Cory's. It is normally in the best interests of transparency, partnership, democracy and openness that as much as possible is published and the Head of Audit and Risk Management will commence discussions with such major partners to encourage their co-operation in releasing and publishing as much information in audit reports as possible.
9. That points one to eight be reviewed in twelve months.