

Effectiveness of the Audit Committee - Self-Assessment

Cabinet Member **Cllr Peter Hare-Scott**
Responsible Officer **Audit Manager, David Curnow**

Reason for Report: To consider the Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment checklist for Audit Committees.

RECOMMENDATION(S): It is for Members to acknowledge their performance in their role as the Audit Committee against the CIPFA checklist and to decide in which areas they have evidence of their effectiveness and which areas they would suggest could be developed further.

The Checklist should be completed to show the Committee's achievements so far against the CIPFA requirements and to identify any improvements or amendments that could be taken forward.

INTRODUCTION

It is acknowledged best practice for audit committees of local authorities to comply with the guidance provided by CIPFA. In accordance with this Members approved the adoption of the statement of purpose, core functions and terms of reference for the Audit & Governance Committee and these are set out in the Council's Constitution. There are diverse aspects to the role of Members appointed to an audit committee and CIPFA provide a useful self-assessment checklist that can be used periodically to monitor the effectiveness of an Audit Committee. It is timely to consider progress and identify any further improvements that can be taken forward.

In March 2018 CIPFA (Chartered Institute of Public Finance & Accountancy) issued updated guidance on the function and operation of audit committees, including an updated "self-assessment of good practice" (see Appendix A) showing areas where it is known the Audit and Governance Committee meet Good Practice.

The new / updated elements of the checklist are shown in italic and blue text in Appendix A to this report. The checklist has initially been completed by the DAP Partnership Manager and consultation with The Chair of Audit Committee, this is attached for consideration and update by the Committee.

Relationship to Corporate Plan: An effective Audit Committee plays a fundamental role in assisting the Council with its governance and assurance process.

Financial Implications: None

Legal Implications: None

Compliance with Policies and Strategies: Compliance with CIPFA guidance follows best practice.

Risk Assessment: If the Audit & Governance Committee is ineffective or perceived to be ineffective then the Council may receive no assurance on whether its governance arrangements, risk management and control environment are operating

adequately. This would lead to censure by the external auditors and any allegations of mismanagement and poor control could not be defended. This review provides an opportunity for the Committee to consider how effective it is and to address any improvements

Equality Impact Assessment: No equality issues identified for this report.

Contact for more Information: David Curnow dcurnow@middevon.gov.uk
01884 234237

Circulation of the Report: Leadership Team and Cabinet Member, DAP

**APPENDIX A CIPFA Self-Assessment Checklist –
Measuring the Effectiveness of the Audit Committee
September 2018**

| Ref | Audit committee purpose and governance | Y | P | N | Comments / evidence / actions required |
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| 1 | Does the authority have a dedicated audit committee? | Y | | | Committee established and meets regularly as described in Article 9 - Audit Committee of the Constitution |
| 2 | Does the audit committee report directly to full council? | Y | | | The Constitution provides that the Audit Committee can report to the Full Council / Cabinet or other bodies of the Council to fulfil its role. |
| 3 | Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement? | Y | | | Constitution, Article 9 – Role Responsibility for functions, (Scheme of delegation). |
| 4 | Is the role and purpose of the audit committee understood and accepted across the authority? | Y | | | Documented in the constitution. Reporting of minutes to Full Council Annual report to Full Council |
| 5 | Does the audit committee provide support to the authority in meeting the requirements of good governance? | Y | | | The Audit Committee helps to set the “tone from the top” challenges control and performance in the reports it receives and makes an Annual Report to the Full Council. Our external auditors (Grant Thornton) provide their reports on their work, which is concluded in the Annual Audit & Inspection Letter and the Annual Governance Review; and these are specifically reported to A&G. The committee agree the internal audit plan and monitor performance of this throughout the year. The Councils Risk management and performance arrangements and other agency's reports are considered as part of the Committee's review for the Annual Governance Statement. |
| 6 | Are the arrangements to hold the committee to account for its performance operating satisfactory? | Y | | | Minutes of the Committee show this (e.g. risk management strategies; internal control statements; anti-fraud arrangements; whistle-blowing strategies) and are reported to Full Council for information and A qualified and experienced Independent member appointed to the Committee provides support and challenge |
| Ref | Functions of the committee | Y | P | N | Comments / evidence / actions required |
| 7 | Do the committee's terms of reference explicitly address all the core areas identified in the CIPFA Position Statement? <ul style="list-style-type: none"> • Good governance • Assurance framework <i>including partnerships and collaboration arrangements</i> • Internal audit • External audit • Financial reporting • Risk management | Y | P | | Constitution, Article 9 set the terms of reference (ToR) for the Audit Committee which include most key elements - responsibility for functions and proceedings. <i>The ToR don't say this, but the AGS refers to “Monitoring Reports from Key Partnerships and other External Bodies”. The Audit Charter and Strategy refer to the Audit Partnership in support of the assurance framework.</i> Amend the terms of reference to include ‘other assurance bodies’ |

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| | <ul style="list-style-type: none"> Value for money or best value Counter-fraud and corruption. <i>supporting the ethical framework</i> | | P | | <p><i>The ToR don't say this, but DAP took Ethics and Values internal audit reports to the Audit Committee.(February 2015).</i></p> <p>Amend the terms of reference to include Ethical Framework</p> |
| 8 | Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? | Y | | | <p>Annual assessment of the business of the Committee and annual report is prepared by the Chair of Audit Committee and reported to Full Council..</p> <p>Internal Audit Annual Report confirms – must comply with the Public Sector Internal Audit Standards (PSIAS) – an external review carried out in December 2016 confirmed this.</p> |
| 9 | Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them? | | P | | <p>The Leadership, Section 151 Officer or Monitoring Officer and Committees may refer any relevant matters to the Audit Committee for consideration.</p> <p><i>Specific wider areas mentioned in the position statement: Treasury management, Ethics or oversight of other public reports are not specifically referred to the Audit Committee for assurance purposes though the business is considered by other committees.</i></p> <p>Consider extending the remit as presented by CIPFA</p> |
| 10 | Where coverage of core areas as been found to be limited, are plans in place to address this? | Y | P | | Coverage is considered appropriate, but if consideration from ref 7 and 9 suggest otherwise then such plans will be prepared. |
| 11 | Has the committee maintained its on-advisory role by not taking on any decision-making powers that are not in line with its core purpose? | Y | | | The Committee is not a decision making body Full Council receive reports on Treasury Management and it may be duplication for AC to consider this as well.. |
| Ref | Membership and support | Y | P | N | Comments / evidence / actions required |
| 12 | <p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> Separation from the executive An appropriate mix of knowledge and skills among the membership A size of commitment is not unwieldy <i>consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</i> | Y | | | <ul style="list-style-type: none"> The constitution specifies 7 members; quorum of 4 Some Members also sit on Development Groups, Standards and Scrutiny Committees. Any decisions which pose a conflict would be declared. <ul style="list-style-type: none"> There is one Independent member |
| 13 | <i>Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council as appropriate for the organisation?</i> | Y | | | Approved at Council early 2017 |
| 14 | Does the chair of the committee have appropriate knowledge and skills? | Y | | | <p>Chair has knowledge and skills through experience.</p> <p>Training provided by DAP at Jan and March 2018 committee meetings.</p> |

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| 15 | Are arrangements in place to support the committee with briefings and training? | Y | | <ul style="list-style-type: none"> • Briefings included on agenda as required • Members invited on training/briefing sessions as they arise. Members attended a briefing session arranged by DAP & SWAP at Buckfast Abbey and Sparkford. • Training on the AGS process is provided each year as necessary. • Training to be provided by DAP at Jan and March 2018 committee meetings on Governance / the role of audit committees |
| 16 | Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory? | | P | <p>Consideration of skills has been made independently by members and training has been provided as stated in 15 above.</p> <p><i>Skills Self-assessment has not been completed.</i> Complete the skills Self-Assessment and identify training needs (Post May 2019)</p> |
| 17 | Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief financial officer? | Y | | The A&G minutes show this to be the case |
| 18 | Is adequate secretariat and administrative support to the committee provided? | Y | | Democratic Services draw up the agenda, circulate committee papers, and prepare/publish minutes. The Chair to discuss forthcoming agenda items at committee. |
| 19 | Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work? | Y | | <p>The Chair has sought feedback from the committee on performance.</p> <p>The Committee reports to both Cabinet and Full Council; feedback is provided if and where required from either.</p> |
| 20 | <i>Are meetings effective with a good level of discussion and engagement from all the members?</i> | Y | | Meetings are considered to be effective. Members are engaged and ask relevant and appropriate questions of officers to further inform the assurance that they are being provides. |
| 21 | <i>Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?</i> | Y | | <p>Re engaging with leaders and managers a recent example has been on updates to Planning S106, (where the Senior Solicitor updated the committee on the progress) GDPR, and 3 Rivers. The S151 confirmed that training days would be held for members with regards to 3 Rivers.</p> <p>Re discussion of audit findings, risks and action plans. All internal audit reports are circulated to AC members in full, with a summary included within the committee papers. Regular questions are asked on performance stats and progress against audit recommendations. Officers are called where required.</p> |
| 22 | <i>Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?</i> | Y | | <p>The Audit Committee plays an active role in the improvement of governance, risk and control.</p> <p>Members challenge the S151 to ensure that audit recommendations are implemented and that mitigating controls are achieving the desired effect.</p> |

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| | | | | <p>Members take a keen and active interest in ensuring agreed actions are implemented. Discussion at the May 2018 meeting, and agreed minutes, provide good evidence of member involvement e.g.</p> <p><i>Members raised concerns about the management and control framework of 3 Rivers and a training session is to be provided for understanding.</i></p> <p><i>The training sessions in Jan and March 2018 from DAP Audit elicited requests from members to extend the Risk Register with new risks</i></p> |
| 23 | <i>Has the committee evaluated whether and how it is adding value to the organisation?</i> | | P | <p>The annual report recognises changes and improvements to the internal audit arrangements and committee processes.</p> <p><i>No formal assessment has been made of how the Committee 'Adds Value' to the Council.</i></p> <p><i>Review how this can be achieved and the most effective method for assessment and delivery where action is felt necessary (links to Qs 7 & 9).</i></p> |
| 24 | <i>Does the committee have an action plan to improve any areas of weakness?</i> | | P | <p>The Committee has consider its needs and made some improvements as required. For example, a training need may be required, and training from officers will be requested (see Q15 for other improvement opportunities).</p> <p><i>No formal assessment has been made of the Committee's core 'strengths and weaknesses'.</i></p> <p><i>Review how this can be achieved and the most effective method for assessment and delivery where action is felt necessary (links to Q16).</i></p> |
| 25 | <i>Does the committee publish an annual report to account for its performance and explain its work?</i> | Y | | <p>Annual report of the Chair of Audit Committee was agreed at Audit Committee in March 2018 and presented to Full Council following this.</p> |