

Report of:	Meeting	Date
Corporate Director Resources (Section 151 Officer)	Audit Committee	26 November 2020

**ANNUAL REVIEW OF AUDIT COMMITTEE'S PERFORMANCE**

**1. Purpose of report**

- 1.1 To consider CIPFA's Self-Assessment of Good Practice contained within the CIPFA publication 'Audit Committees - Practice Guidance for Local Authorities and Police 2018' and identify the actions necessary to ensure that the Audit Committee meets best practice guidance and provides value to the authority.

**2. Outcomes**

- 2.1 The determination of an improvement plan for the Audit Committee.

**3. Recommendation**

- 3.1 That the Audit Committee considers CIPFA's Self-Assessment of Good Practice at Appendix 1 and agree the one area identified where further improvement is considered beneficial.

**4. Background**

- 4.1 Audit Committees are a key component of an authority's governance framework. Their function is to provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, reporting on financial and non-financial performance and supporting standards and ethics.
- 4.2 An Audit Committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business.
- 4.3 Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential for delivering effectiveness.
- 4.4 Authorities are encouraged not to regard meeting the recommended practice as a tick box activity and are reminded that achieving

recommended practice does not mean necessarily that the Audit Committee is effective. To help give a more rounded opinion of the Committee's effectiveness, further guidance is provided in CIPFA's Audit Committee publication in respect of a knowledge and skills framework.

## 5. Key Issues and proposals

- 5.1 The self-assessment at Appendix 1 has been completed by the Head of Governance (Chief Internal Auditor) and reviewed by the Corporate Director Resources (Section 151 Officer). Members will be asked to contribute to a discussion at the remote meeting with a view to ensuring the Audit Committee are still meeting the requirements of CIPFA's 'Self-Assessment of Good Practice' and agree the one area that has been identified as requiring attention (Q4 - highlighted in bold).

<b>Financial and legal implications</b>	
Finance	There are no specific financial implications arising from the agreement of the improvement plan.
Legal	There are no specific legal implications arising from the agreement of the improvement plan.

### **Other risks / implications: checklist**

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

<b>risks/implications</b>	<b>✓ / x</b>
community safety	X
equality and diversity	X
sustainability	X
health and safety	X

<b>risks/implications</b>	<b>✓ / x</b>
asset management	X
climate change	X
ICT	X
Data protection	X

### **Processing Personal Data**

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

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<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

**List of appendices**

Appendix 1 – CIPFA Self-Assessment of Good Practice

## CIPFA Self-Assessment of Good Practice – November 2020

Good practice questions		Yes	Partly	No	Comments
<b>Audit Committee purpose and governance</b>					
1	Does the authority have a dedicated Audit Committee?	✓			The Audit Committee has been in place since December 2005.
2	Does the Audit Committee report directly to Full Council?	✓			A periodic report is submitted to Full Council with the last report being considered 14 November 2019.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			The terms of reference have recently been revised (March 2019) to accurately reflect CIPFA's guidance 'Audit Committee's – Practical Guidance for Local Authorities and Police 2018.
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?		✓		The majority of the current membership have all received training on the role and purpose of the Audit Committee. However, following the Annual Meeting one new member has joined the Audit Committee and owing to the on-going pandemic training has not been given to this new member. Given emergency powers were introduced in April 2020, training the new member was not considered a priority. Remote meetings are now commencing

Good practice questions		Yes	Partly	No	Comments
					<p>therefore training will be arranged.</p> <p><b><u>Action</u></b></p> <p><b>The new Audit Committee member will receive training on the execution of their terms of reference. This may be virtual training, given the current working arrangements.</b></p>
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	✓			The Audit Committee provide assurance on the adequacy of internal control, risk management, the integrity of financial reporting, and the annual governance processes. They also oversee responsibility for the Council's compliance to the General Data Protection Regulations 2018.
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?	✓			A review of effectiveness is completed annually and discussed with the Audit Committee. An action plan is formulated of any issues that need attention. It should be noted that an annual review was not completed in November 2018 due to the local elections in May 2018 and given the Audit Committee had only met on three occasions at the time the annual review was scheduled.
<b>Functions of the Committee</b>					
7	Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA'S Position Statement?	✓			The Audit Committee's terms of reference are in accordance with CIPFA's 'Audit Committees - Practical Guidance for

Good practice questions		Yes	Partly	No	Comments
	<ul style="list-style-type: none"> <li>▪ good governance</li> <li>▪ assurance framework</li> <li>▪ internal audit</li> <li>▪ external audit</li> <li>▪ financial reporting</li> <li>▪ risk management</li> <li>▪ value for money or best value</li> <li>▪ counter-fraud and corruption</li> <li>▪ supporting the ethical framework</li> </ul>				Local Authorities and Police 2018’.
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?	✓			Although the annual evaluation is completed by the Head of Governance (Chief Internal Auditor) and reviewed by the Corporate Director Resources (Section 151 Officer), the annual review of effectiveness gives the Audit Committee the opportunity to assess if it is fulfilling the terms of reference.
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?	✓			The Audit Committee already participate by considering governance and risk. The Code of Practice on Treasury Management requires a body to be nominated and responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Council has nominated the Overview and Scrutiny Committee (Cabinet 25/03/2015).
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A	N/A	N/A	There have been no instances where coverage of core areas has been found to be limited.
11	Has the Audit Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Audit Committee does not take on any decision making powers that are not documented

Good practice questions		Yes	Partly	No	Comments
					within its terms of reference.
<b>Membership and support</b>					
12	<p>Has an effective Audit Committee structure and composition of the Committee been selected? This should include:</p> <ul style="list-style-type: none"> <li>▪ separation from the executive</li> <li>▪ an appropriate mix of knowledge and skills among the membership</li> <li>▪ a size of committee that is not unwieldy</li> <li>▪ consideration has been given to the inclusion of at least one independent member (where is it not already a mandatory requirement).</li> </ul>	✓ ✓	✓	✓	<p>Whilst individual Members of the Audit Committee (AC) may also serve on Overview and Scrutiny the Audit Committee is independent of the scrutiny function. The Audit Committee Chairman is not a member of the Executive.</p> <p>Whilst the size of the Audit Committee has been discussed on a number of occasions, a decision has been made by the Leader of the Council to leave the current membership number (14) as it is.</p>
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full Council.			✓	The Audit Committee membership does not contain any independent members.
14	Does the Chairman of the Audit Committee have appropriate knowledge and skills?	✓			The Audit Committee Chairman was appointed in May 2015. She holds an Associate Chartered Accountants qualification (ACA) and has previously worked in managerial roles within the audit environment.
15	Are arrangements in place to support the Audit Committee with briefings and training?	✓			Training is provided to the Audit Committee in accordance with their Audit Committee Work Programme. In addition, the Committee members will receive briefings as part of the Audit Committee agenda as and when required.

Good practice questions		Yes	Partly	No	Comments
16	Has the membership of the Audit Committee been assessed against the <u>core</u> knowledge and skills framework and found to be satisfactory?	✓			The induction training in May 2019 covered the core areas of the knowledge and skills framework.  On-going regular attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills.
17	Does the Audit Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	✓			Both the Corporate Director Resources (Section 151 Officer) and the Head of Governance (Chief Internal Auditor) attend every Audit Committee meeting, with the exception of the July meeting to approve the Statement of Accounts, which the Head of Governance does not attend. Also a representative from our External Auditors is frequently in attendance.
18	Is adequate secretariat and administrative support to the Audit Committee provided?	✓			Each meeting is attended by an officer from the Council's Democratic Services Team. The meetings are minuted and published on the Council's Internet.
<b>Effectiveness of the Committee</b>					
19	Has the Audit Committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			Feedback is sought annually from the External Auditor.
20	Are meetings effective with a good level of discussion and engagement from all members?	✓			Members routinely ask questions at Audit Committee and have written to the Executive where they want a further

Good practice questions		Yes	Partly	No	Comments
					explanation and updates following audit reports.
21	Does the Audit Committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		✓		Following the receipt of a final audit report, the Audit Committee have the opportunity to call in Service Managers to challenge them on audit findings, outstanding actions or any associated risks.
22	Does the Audit Committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			If areas of work receive a 'weak' overall assurance opinion, the Audit Committee will make recommendations for further audit review, more frequent updates and may also request the intervention of the relevant Director or Portfolio Holder for additional assurances that the weaknesses are being addressed i.e. Marine Hall.
23	Has the Audit Committee evaluated whether and how it is adding value to the organisation?	✓			During their induction in May 2019, Audit Committee Members were asked to give examples of where they felt the AC added value and if there was anything else the committee could be doing to improve the value added to the organisation.
24	Does the Audit Committee have an action plan to improve any areas of weakness?	✓			Actions contained within this checklist are highlighted in bold and will be implemented prior to the next annual review.
25	Does the Audit Committee publish an annual report to account for its performance and explain its work?	✓			A periodic report is submitted to Full Council with the last report being considered on the 14

Good practice questions	Yes	Partly	No	Comments
				November 2019. The report explains the work of the Committee and more specifically details the reports that been submitted to the Audit Committee during the year.