

Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	21 November 2017	4

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: Practical Guidance for Local Authorities and Police 2013' 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 Audit Committee.

3. Recommendations

- 3.1** That the Audit Committee considers CIPFA's Self-Assessment of Good Practice at Appendix 1 and agree those areas 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, and reporting on financial and non-financial performance.
- 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. This was used during the one-to-one meetings to guide members on their training needs.

- 4.5** At the last review the self-assessment results were discussed at the meeting on 8 November 2016 and an improvement plan was agreed. Two actions were highlighted. The action relating to the removal of attendance figures on the annual report has now been completed. However the action relating to the completion of one-to-one meetings is still outstanding as two meetings have yet to be carried out with members.

5. Key Issues and proposals

- 5.1** The self-assessment at Appendix 1 has been completed by the Head of Governance and ratified by the Head of Finance (Section 151 Officer). Members will be asked to contribute to a discussion at the 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 two areas that require attention highlighted in bold.

Financial and legal implications	
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.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
data protection	x

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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – CIPFA Self-Assessment of Good Practice

arm/aud/cr/17/2111jb1

CIPFA self-assessment of Good Practice – November 2017

Good practice questions		Yes	Partly	No	Comments
Audit Committee purpose and governance					
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 September 2017.
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 set out the purpose of the Audit Committee in accordance with CIPFA's Position Statement.
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?	✓			The terms of reference are reviewed annually by the Audit Committee in March and also form part of the Council's Constitution.
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 and the integrity of financial reporting and the annual governance processes.
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?	✓			A review of effectiveness is completed annually. An action plan is formulated of any issues that need attention.

Functions of the Committee					
7	<p>Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA'S Position Statement?</p> <ul style="list-style-type: none"> ▪ good governance ▪ assurance framework ▪ internal audit ▪ external audit ▪ financial reporting ▪ risk management ▪ value for money or best value ▪ counter-fraud and corruption 	✓			The terms of reference address all the core areas identified in CIPFA's Position Statement.
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?	✓			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 within its terms of reference.

Good practice questions		Yes	Partly	No	
Membership and support					
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"> ▪ separation from the executive ▪ an appropriate mix of knowledge and skills among the membership ▪ a size of committee that is not unwieldy ▪ where independent members are used, that they have been appointed using an appropriate process. 	<p>✓ ✓ ✓ N/A</p>			<p>Whilst individual Members of the Audit Committee 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>The Council has agreed that all members will complete a Councillor Development Plan and a Development Needs Analysis to ascertain general training needs.</p> <p>Audit Committee members have had 1-1's with the Head of Governance to review their competence against CIPFA's mandatory knowledge and skills framework</p> <p><u>Action</u> A new questionnaire specific to Audit Committee members and separate ones for other committees to identify their current level of knowledge will be devised and introduced ready for the 2019 Election.</p> <p>Appropriate training will be provided to address any knowledge and skills gaps identified.</p>
13	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.
14	Are arrangements in place to support the Audit Committee with briefings and training?	✓		Training is provided to the Audit Committee in accordance with their scheduled Audit Committee Work Programme. In addition, the Committee members will receive briefings as part of the Audit Committee agenda as and when required.
15	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 2015 covered the core areas of the knowledge and skills framework. The knowledge and skills framework was also discussed at the one to one meetings. In addition on-going regular attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills.
16	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 Chief Financial Officer (CFO) and the Head of Governance (Chief Internal Auditor) attend every Audit Committee and a representative from our External Auditors is frequently in attendance.
17	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.

Effectiveness of the Committee				
18	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.
19	Has the Audit Committee evaluated whether and how it is adding value to the organisation?	✓		<p>Members have completed a questionnaire in respect of their qualifications, specific knowledge and experience which may assist when adding value to the Audit Committee and/or the organisation.</p> <p>One-to-one meetings have been held with the majority of the Audit Committee members to explore the questionnaires in more depth and to identify any gaps in knowledge and skills with the view to developing a training and development action plan. However, interviews are still to be held with three members of the Audit Committee.</p> <p><u>Action C/F from 2016</u></p> <p>The remaining Audit Committee members will be invited to attend a one-to-one meeting before December 2017. Once all meetings have been completed a training and development action plan will be formulated.</p>
20	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.