

Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	13 November 2018

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 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 Audit Committee.

3. Recommendation

- 3.1** That the Audit Committee considers CIPFA's Self-Assessment of Good Practice at Appendix 1 and agrees 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, 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. This was used during the one-to-one meetings to guide Members on their training needs and to establish details of their required 'core' knowledge and also identify any specialist knowledge or experience the Member had that would add further value to the committee and the organisation.

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 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 areas that require attention highlighted in bold. Following the publication of the recently amended CIPFA guidance in March 2018, the self-assessment now contains five new questions which the committee are asked to consider; namely questions 13, 20, 21, 22 and 25.

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
ICT	x

Processing Personal Data

If the decision(s) recommended in this report will result in personal data being processed, a privacy impact assessment (PIA) will have been completed and signed

off by the council's Data Protection Officer before the decision is taken (as required by the General Data Protection Regulations 2018).

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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

CIPFA self-assessment of Good Practice – November 2018

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 6 September 2018.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			<p>The terms of reference currently set out the purpose of the Audit Committee in accordance with CIPFA's guidance 'Audit Committee's practice Guidance for Local Authorities and Policy 2013. However following the re-draft of this guidance in March 2018, the terms of reference will be reviewed in March 2019 to ensure they reflect any changes made.</p> <p><u>Action</u></p> <p>The Audit Committee's terms of reference will be reviewed in March 2019 to reflect any changes made in the recently amended CIPFA guidance.</p>
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?		✓		The current membership have all received training on the role and purpose of the Audit Committee. However, more recently,

				<p>Full Council have delegated responsibility for ensuring the Council is complying with the Data Protection (DP) Regulations 2018 to the Audit Committee and their terms of reference have been amended. Whilst all Elected Members have been offered training in relation to the DP Act and more specifically their role as a Data Controller, more detailed training for the Audit Committee (AC) will be given following the May 2019 Election once the new AC has been appointed.</p> <p><u>Action</u></p> <p>Following the May 2019 election the new AC will receive training on the amended terms of reference.</p>
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	✓		<p>The Audit Committee (AC) provide assurance on the adequacy of internal control, risk management, the integrity of financial reporting, and the annual governance processes. See question 4 for details of new AC responsibilities in relation to compliance to Data Protection Regulations.</p>
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?	✓		<p>A review of effectiveness is completed annually and discussed with the Audit Committee. An action plan is formulated of any issues that need attention. See actions in bold.</p>

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 ▪ supporting the ethical framework 	✓		<p>The terms of reference currently set out the purpose of the Audit Committee in accordance with CIPFA's guidance 'Audit Committee's Practice Guidance for Local Authorities and Policy 2013. However following the re-draft of this guidance in March 2018, the terms of reference will be reviewed in March 2019 to ensure they reflects any changes made.</p> <p>See question 3 action</p>
8	<p>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?</p>	✓		<p>Although the annual evaluation is completed by the Head of Governance (Chief Internal Auditor) and reviewed by the Head of Finance (Section 151 Officer), the annual review of effectiveness gives the Audit Committee the opportunity to assess if it is fulfilling the terms of reference.</p>
9	<p>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 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</p>

					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.
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 ▪ consideration has been given to the inclusion of at least one independent member (where is it not already a mandatory requirement). 	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p>	<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 AC 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. However this will be reviewed prior to May 2019.</p> <p>Current AC Members have had one-to-one's with the Head of Governance to review their competence against CIPFA's knowledge and skills framework, however this will be repeated after May 2019 once the new AC has been appointed. It is noted that two recently</p>

					<p>appointed AC Members have not had a one-to-one meeting. However it has been agreed that these will be postponed till after the May 2019 Election when appointment to committee's has been completed.</p> <p><u>Action on-going</u></p> <p>A new questionnaire specific to AC 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>Following the appointment to committees in May 2019, all AC members will have a one-to-one meeting where any gaps in the required core knowledge and skills framework will be identified and addressed.</p> <p>As per the Annual Governance Statement, The Chief Executive will meet with the Leader of the Council prior to the May 2019 election to discuss committee numbers and also the required skillset of the AC.</p>
13 NEW	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	✓			The Audit Committee Chairman was appointed

	knowledge and skills?				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 scheduled Audit Committee Work Programme. In addition, the Committee members will receive briefings as part of the Audit Committee agenda as and when required.
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 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.
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 Head of Finance (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.
Effectiveness of the Committee					
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 NEW	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 explanation and updates following audit reports.
21 NEW	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?		✓		<p>Following the receipt of a final audit report, the Audit Committee (AC) have the opportunity to call in Service Managers to challenge them on audit findings, outstanding actions or any associated risks. However, it should be noted that the AC have not requested that Service Managers attend the meeting for some time.</p> <p><u>Action</u></p> <p>Audit Committee members will be reminded that they have the opportunity to call in Service Managers to challenge them on audit findings, outstanding actions or any associated risks.</p>
22 NEW	Does the Audit Committee make recommendations for the	✓			A recent audit at Marine Hall identified the control

	improvement of governance, risk and control and are these acted on?				environment to be 'weak'. Audit Committee made recommendations for further audit intervention, more frequent updates and also requested the Chairman contacted the portfolio holder for assurance that the weaknesses were being addressed.
23	Has the Audit Committee evaluated whether and how it is adding value to the organisation?	✓			<p>Prior to attended their one-to-one meeting, Members were asked to complete a questionnaire in respect of their qualifications, specific knowledge and experience which may assist when adding value to the Audit Committee (AC) and/or the organisation.</p> <p>In addition, at the one-to-one meetings, Members were also 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.</p>
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 NEW	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 6 September 2018. The report explains the work of the Committee and more specifically details the reports that been submitted to the Audit Committee during the

					year.
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