

Report of:	Meeting	Date	Item No.
Corporate Director of Resources (S.151 Officer)	Audit Committee	10 November 2015	4

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.

3. Recommendation

- 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 an independent and high-level resource to support good governance and strong public financial management.
- 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.

5. Key issues and proposals

- 5.1 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 committee is effective. To help give a more rounded opinion of the committee's

effectiveness, further guidance has been provided in the publication in respect of a knowledge and skills framework which can be used to guide members on their training needs.

5.2 At the last review in November 2014 it was decided that the Head of Governance would hold one-to-one meetings with each member of the Audit Committee to discuss the self-assessment and document suggested improvements, however due to the number of new Audit Committee members who have only attended 3 meetings to date, it was felt that it would be more beneficial to discuss the self-assessment at the meeting and to agree the proposed improvement plan.

5.3 The self-assessment at Appendix 1 has been completed by the Head of Governance and ratified by the Corporate Director of Resources (Section 151 Officer). Members will be asked to contribute to a discussion at the meeting with a view to developing an agreed action plan.

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.

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

report author	telephone no	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	23 October 2015

List of background papers:		
name of document	date	where available for inspection

List of appendices

Appendix 1 – CIPFA Self-Assessment of Good Practice

arm/audit/cr/15/1011jb2

CIPFA self-assessment of Good Practice – November 2015

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? (Applicable to local government only.)	✓			<p>A periodic report is submitted to Full Council with the last report being considered September 2015.</p> <p>Action C/F: This will be amended to include additional information such as attendances.</p> <p>Completed and reflected in the September 2015 periodic report.</p>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			<p>Action C/F: The Audit Committees terms of reference will be reviewed to include the purpose of the Audit Committee as documented in CIPFA's Position Statement.</p> <p>Agreed by Audit Committee March 2015 and reflected in the constitution updated 16 April.</p>
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 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 committee to account for its performance operating satisfactorily?	✓			A review of effectiveness is completed annually.

Functions of the committee					
7	<p>Do the 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 	✓			<p>Action C/F: Although the current terms of reference reflect the core functions of an Audit Committee, it will be rewritten to reflect the suggested terms of reference in the CIPFA guidance.</p> <p>Agreed by Audit Committee March 2015 and reflected in the Constitution updated 16 April.</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>The annual review of effectiveness gives the Audit Committee the opportunity to assess if it is fulfilling the terms of reference.</p> <p>Action C/F: A further assessment will be completed in November 2015 using the updated terms of reference (TOR). The suggested TOR will also be used to train new audit committee members from May 2015.</p> <p>Completed May 2015</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 Strategy and policies. The Council has nominated the Overview and Scrutiny Committee (Cabinet 25/03/2015).</p>
10	<p>Where coverage of core areas has been found to be limited, are plans in place to address this?</p>	N/A	N/A	N/A	<p>There have been no instances where coverage of core areas has been found to be limited.</p>
11	<p>Has the committee maintained its non-advising role by not taking on any decision-making powers that are not in line with its core purpose?</p>	✓			<p>The Committee does not take on any decision making powers that are not documented within its terms</p>

		Yes	Partly	No	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. Members have completed Councillor Development Plans, which have been evaluated and appropriate training sessions provided.</p> <p>The Cross-Party Councillor Development Group now meet quarterly to identify new training needs and the Member Development Officer arranges training as required.</p>
13	Does the chair of the committee have appropriate knowledge and skills?	✓			<p>The Audit Committee Chairman was recently appointed in May 2015.</p> <p>Action</p> <p>A one-to-one assessment will take place with the new Chairman, Head of Governance and the Section 151 Officer to ensure the Chairman has the appropriate Knowledge and skills in the following areas;</p> <ul style="list-style-type: none"> • Finance • Treasury Management • Value for Money • Risk Management
14	Are arrangements in place to support the committee with briefings and training?	✓			
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	✓			<p>Members have completed Councillor Development Plans, which have been evaluated and appropriate training sessions provided. The Cross-Party Councillor Development Group now meet quarterly to identify</p>

					<p>new training needs and the Member Development Officer arranges training as required.</p> <p>The induction training in May 2015 covered the core areas of the knowledge and skills framework. On-going Audit Committee attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills.</p>
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			
17	Is adequate secretariat and administrative support to the committee provided?	✓			
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			✓	Action: Feedback will be sought annually from the External Auditor.
19	Has the committee evaluated whether and how it is adding value to the organisation?	✓			<p>Action: Members will be asked to complete a questionnaire in respect of any qualifications, specific knowledge or experience they may have which may add value to the committee and/or the organisation. Questionnaires should be returned no later than 1 December 2015.</p> <p>The Head of Governance will email feedback from the exercise in December 2015.</p>
20	Does the 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.