



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 10 January 2017

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Governance Committee – Effectiveness Self-Assessment

1. PURPOSE

1.1 This report presents the results of an assessment of compliance of the Audit & Governance Committee against recognised best practise as well as a review of the effectiveness of the Committee by the Chair of the Committee and a summary of Committee members' self-assessments. The results of the assessments are set out in appendices 1, 2 and 3 to this report.

2. RECOMMENDATIONS

2.1 Committee members are asked to review and approve the following, as a means of confirming their effectiveness as an Audit & Governance Committee:

- the Audit & Governance Committee's position when compared to the CIPFA's good practice checklist (Appendix 1);
- the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Chair of the Committee in consultation with the Head of Audit & Assurance (Appendix 2); and,
- the summary results from the individual member self-assessments as a means of baselining the overall effectiveness of the Committee for future comparison (Appendix 3).

3. BACKGROUND

3.1 Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, which are set out in the Local Government Act 1972 and the Accounts & Audit Regulations 2015. The Chief Financial Officer (CFO) is responsible for discharging this sound financial management requirement. To be truly effective the CFO also requires an effective Audit Committee to provide appropriate support and challenge.

- 3.2 In 2013 CIPFA published its document, 'Practical Guidance for Local Authority Audit Committees 2013'. The guidance includes the two checklists included at appendices 1 and 2 to this report. These checklists provide members of the Committee with an opportunity to assess the performance and effectiveness of the Committee and to identify any areas where development is needed.
- 3.3 The guidance also includes CIPFA's 2013 position statement: 'Audit Committees in Local Authorities and Police'. The statement sets out CIPFA's view of the role and functions of an audit committee and local authorities are recommended to review their arrangements against the position statement; this is a recommendation and not a mandatory requirement.
- 3.4 The checklist provided in Appendix 3 is based on a questionnaire used by Audit Committees in a neighbouring authority and provides an alternative basis for assessing the Committee's effectiveness. The questions asked are aimed at exploring other avenues of assessing the Committee effectiveness to those identified by CIPFA. It is planned to use the questionnaire again next year and compare the results to better inform the self-assessment process in future.
- 3.5 The questionnaire at appendix 3 provides a summary of the responses received from the Councillors who have been members of the Committee since the start of the Municipal Year and will be used as a baseline measure. The results reflect the fact that a significant majority of members are new to the Committee and some areas are therefore difficult to score at this stage. However overall the results indicate that there is a belief by the Committee members of the Committee at this stage that the Committee is operating effectively, whilst acknowledging that there remains scope for further improvement.

4. RATIONALE

- 4.1 An Audit Committee is a key component of a Council's governance framework. An Audit Committee that fulfils its recommended role and function can effectively review the Council's corporate governance framework. The recommended guidance on the role and functions of an Audit Committee is provided by CIPFA.

5. KEY ISSUES AND RISKS

- 5.1 Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) sets out CIPFA's view of the Audit Committee in relation to governance, risk management and internal control. CIPFA's Good Practice Checklist, which was appended to the Guidance, was previously completed by the former Committee Vice-Chair with the assistance of Audit & Assurance. This document was presented to the Committee in January 2015 and January 2016. Audit & Assurance has now updated the Checklist (see Appendix 1). This shows that the Council's Audit & Governance Committee arrangements are largely compliant with the recommended guidance. The only areas where full compliance cannot yet be provided are:

- Question 2: Unapproved Audit & Governance Committee minutes are currently tabled at the Executive Board not Full Council;
- Question 8: The Audit & Governance Committee Annual Report lists the reports received in order to meet its terms of reference but no evaluation of their effectiveness is undertaken;
- Question 15: The exercise to review the knowledge and skills framework contained within the CIPFA guidance is being undertaken by the new Audit & Governance Committee members;
- Question 14: A programme of training and support will be devised once the above exercise has been completed;
- Question 18: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work; and
- Questions 19 & 20: The Audit & Governance Committee completed an evaluation of its effectiveness in 2015/16. This has been further reviewed and updated for the period 2016/17 with actions noted to improve areas of weakness.

5.2 The evaluation of effectiveness document (Appendix 2) was completed by the Chair of the Audit & Governance Committee with the assistance of the Head of Audit & Assurance. It was originally appended to the Audit & Governance Committee's annual report and presented to this Committee on 14 June 2016.

5.3 Across eight areas the evaluation score was 4 out of 5 demonstrating: "clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area". For the remaining one area of the evaluation - supporting the quality of the internal audit activity, particularly by underpinning its organisational independence – the assessment score was 5 demonstrating: "clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable".

6. POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

The Accounts and Audit (England) Regulations 2015 state that the Council must ensure that it has a sound system of internal control that:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk. The Audit & Governance Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Council's overall governance arrangements.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

Deputy Chief Executive, Director of Finance & IT, and Director of HR, Legal & Corporate Services

Contact Officer: Paul Hankinson, Audit & Assurance Manager – Ext: 5630

Date: 30 December 2016

Background Papers: Audit Committee – Self-Assessment & Action Plan Update, reported to Audit Committee on 12 January 2016.

Audit Committee – Annual Report, reported to Audit Committee on 14 June 2016.