



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 9 January 2018

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Governance Committee – Effectiveness 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 good practice checklist (Appendix 1);
- the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Head of Audit & Assurance in consultation with the Chair of the Committee (Appendix 2); and,
- the summary results from the individual member self-assessments of the overall effectiveness of the Committee (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 provided at appendices 1 and 2 to this report. These checklists

contain the results of the internal assessment, and supporting evidence, for the Committee's consideration in order to conclude on 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 summary questionnaire results included in Appendix 3 are based on a self-assessment questionnaire used by Audit Committees in neighbouring authorities, which provides an alternative basis for assessing the Committee's effectiveness. The questions asked are aimed at exploring other avenues of assessing effectiveness compared to the more technical areas identified by CIPFA. These questions have been answered by members themselves, rather than officers completing the CIPFA checklists on their behalf and seeking their comments on it.
- 3.5 The details included at appendix 3 provide a summary of the responses received from the Councillors who have been members of the Committee during the Municipal Year. The overall results show that there is a strong belief by all members that the Committee is operating effectively, with the majority of scores being either a 3 or a 4. However there are some areas where there is scope for further improvement for consideration by the Committee.

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 now largely compliant with the recommended guidance. The only area where full compliance cannot yet be provided is:
 - Question 18: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.

5.2 The evaluation of effectiveness document (Appendix 2) was previously completed by the Chair of the Audit & Governance Committee with the support from the Head of Audit & Assurance. It was originally appended to the Audit & Governance Committee's annual report and presented to this Committee on 13 June 2017. It has been updated to reflect the additional review and scrutiny of the corporate risks that the Committee now carries out on a regular basis, the senior officer attendance to provide updates on actions from key reports. It also notes that the Committee now receives an Counter Fraud Annual Report.

5.3 Across five 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 four areas 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:

- (i) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (ii) ensures that the financial and operational management of the authority is effective; and
- (iii) 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: Colin Ferguson, Head of Audit & Assurance – Ext: 5326

Date: 21 December 2017

Background Papers: Audit Committee – Self-Assessment & Action Plan Update, reported to Audit Committee on 10 January 2017.
Audit Committee – Annual Report, reported to Audit Committee on 13 June 2017.