

REPORT OF DAP Partnership Manager
To: Audit & Governance Committee
Subject: Effectiveness of the Audit Committee
Date: 22nd August 2017

Reference:

PURPOSE OF REPORT: To consider the Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment checklist for Audit Committees.

1. INTRODUCTION

It is acknowledged best practice for audit committees of local authorities to comply with the guidance provided by CIPFA. In accordance with this Members approved the adoption of the statement of purpose, core functions and terms of reference for the Audit & Governance Committee and these are set out in the Council's Constitution. There are diverse aspects to the role of Members appointed to an audit committee and CIPFA provide a useful self-assessment checklist that can be used periodically to monitor the effectiveness of an Audit Committee. It is timely to consider progress and identify any further improvements that can be taken forward.

In November 2013 CIPFA (Chartered Institute of Public Finance & Accountancy) issued updated guidance on the function and operation of audit committees, including an updated "self-assessment of good practice" (see Appendix A) showing areas where it is known the Audit and Governance Committee meet Good Practice.

2. REPORT

The checklist has initially been completed as far as possible by the Service Improvement Officer and the DAP Partnership Manager and is attached for consideration and update by the Committee.

3. IMPLICATIONS

Legal Implications

None.

Financial Implications

None.

Human Resources Implications

None.

Sustainability Implications

None.

Equality/Diversity

None.

Risk Management

If the Audit & Governance Committee is ineffective or perceived to be ineffective then the Council may receive no assurance on whether its governance arrangements, risk management and control environment are operating adequately. This would lead to censure by the external auditors and any allegations of mismanagement and poor control could not be defended. This review provides an opportunity for the Committee to consider how effective it is and to address any improvements.



Compliance with Policies and Strategies

Compliance with CIPFA guidance follows best practice.

Ward Member and Leader Member Views

Audit & Governance Chair, Councillor Philip Hackett, said "The Audit and Governance Committee, having been established seven years ago, continues to give robust assurance and support to the Council in giving a firm "tone from the top" approach. This encourages both Best Practice and Value for Money, and also endorses a zero tolerance approach to fraud and corruption. The Committee has an independent member and is subject to both internal scrutiny, and scrutiny from external bodies. Furthermore the Committee strives to achieve optimum potential through internal and external training, which has included attending the Plymouth Audit Committee."

4. CONCLUSIONS

The Checklist should be completed to show the Committee's achievements so far against the CIPFA requirements and to identify any improvements or amendments that could be taken forward.

5. RECOMMENDATIONS

It is for Members to acknowledge their performance in their role as the Audit Committee against the CIPFA checklist and to decide in which areas they have evidence of their effectiveness and which areas they would suggest could be developed further.

SUPPORTING INFORMATION

Consultations:	Jenny Wallace, Head of Paid Service Steve Hearse, Strategic Manager (Resources) Councillor Philip Hackett, Chair of A&G Committee
Contact Officer:	Chris Dobbs, Service Improvement Officer Robert Hutchins, DAP Partnership Manager
Background Papers:	CIPFA - Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)



**APPENDIX A CIPFA Self-Assessment Checklist –
Measuring the Effectiveness of the Audit Committee
Review by A&G Committee 22nd August 2017**

	Audit committee purpose and governance	Y	P	N	Comments / evidence / actions required
1	Does the authority have a dedicated audit committee?	Y			Committee established 2010 and meets regularly
2	Does the audit committee report directly to full council?	Y			Committee can decide to escalate issues to Full Council Chair/officer reports taken to Full Council as and when required
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			Constitution, Part 3 - Responsibility for functions, (Scheme of delegation).
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y			Documented in the constitution. Reporting of minutes to Full Council Regular "Newsletter" produced and distributed to all Members
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y			The Audit Committee helps to set the "tone from the top" in particular in relation to its zero tolerance stance against fraud and corruption. Our external auditors (Grant Thornton) provide their reports on their work, which is concluded in the Annual Audit & Inspection Letter and the Annual Governance Review; and these are specifically reported to A&G. Other agency's reports are collated and presented as part of the review for the Annual Governance Statement.
6	Are the arrangements to hold the committee to account for its performance operating satisfactory?	Y			Various minutes of A&G show this (e.g. risk management strategies; internal control statements; anti-fraud arrangements; whistle-blowing strategies). A qualified and experienced Independent member appointed to the Committee provides support and challenge
Ref	Functions of the committee	Y	P	N	Comments / evidence / actions required
7	Do the committee's terms of reference explicitly address all the core areas identified in the CIPFA Position Statement? <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. 	Y			Constitution, Part 3 - Responsibility for functions, (Scheme of delegation).



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?	Y			Annual assessment of the effectiveness of the Committee. Internal Audit – must comply with the Public Sector Internal Audit Standards (PSIAS) – an external review carried out in December 2016 confirmed this.
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?	Y			The HOPS, Section 151 Officer or Monitoring Officer would refer any relevant matters (e.g. from other Committees) to A&G for consideration.
10	Where coverage of core areas as been found to be limited, are plans in place to address this?	Y			An Ethics and Values internal audit took place in February 2015 and in December 2016. In both instances the audit opinion was 'Good'.
11	Has the committee maintained its on-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			The Committee is not a decision making body C&R Committee and Full Council receive reports on Treasury Management and it would be duplication for A&G to consider this.
Ref	Membership and support	Y	P	N	Comments / evidence / actions required
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership • A size of commitment is not unwieldy • Where independent members are used, that they have been appointed using an appropriate process 	Y			<ul style="list-style-type: none"> • The constitution specifies 7 members (6 councillors and 1 independent); quorum of 4 • Some Members also sit on C&R Committee. • Any decisions which pose a conflict would be declared. • Independent position formally advertised and 'best' candidate selected
13	Does the chair of the committee have appropriate knowledge and skills?	Y			Chair has received training in 'chairing skills'. Chair and independent member also attended Plymouth Audit Committee to see another organisation in operation. Further training to be provided by DAP and Grant Thornton at August 2017 committee meeting.
14	Are arrangements in place to support the committee with briefings and training?	Y			<ul style="list-style-type: none"> • Briefings included on agenda as required • Members invited on training/briefing sessions as they arise. Members attended a briefing session arranged by DAP & SWAP at Buckfast Abbey and Sparkford. • Training on Financial Statements and the AGS process is provided each year as necessary. Joint training with NDC was provided in June 2015 covering the role of the Committee, Financial Statements,



					Governance and Risk Management. <ul style="list-style-type: none"> • Training was provided at the July 2017 Committee on Governance / the role of audit committees
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y			Induction carried out in May/June 2015 for the newly appointed committee members. Additional audit training for Chair and Vice Chair provided by DAP in autumn 2015. Other training requirements will be identified through this self-assessment process.
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief financial officer?	Y			The A&G minutes show this to be the case
17	Is adequate secretariat and administrative support to the committee provided?	Y			Democratic Services draw up the agenda, circulate committee papers, and prepare/publish minutes Service Improvement Officer meets with the Chair to discuss forthcoming agenda items
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y			A stakeholder survey was carried out in summer 2016. There was a low response rate but the responses received indicated a high level of satisfaction with the Committee's performance.
19	Has the committee evaluated whether and how it is adding value to the organisation?	Y			A stakeholder survey was carried out in summer 2016 and the reviewed by A&G in November 2016.
20	Does the committee have an action plan to improve any areas of weakness?	Y			It was agreed at the meeting in November 2016 that the Chair of A&G should address Full Council on a regular basis to promote awareness, increase understanding and provide opportunity for questions to be asked.

