

REPORT OF DAP Partnership Manager
To: Audit & Governance Committee
Subject: Effectiveness of the Audit Committee
Date: 24 July 2018

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 March 2018 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.

The new / updated elements of the checklist are shown in italic and brown text in Appendix A to this report.

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

Chair of A&G, Councillor Philip Hackett said "Maintaining an effective Audit Committee is vital and periodically assessing our performance is an essential part of achieving this."

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 (2018 Edition)



**APPENDIX A CIPFA Self-Assessment Checklist –
Measuring the Effectiveness of the Audit Committee
Review by A&G Committee 24 July 2018**

	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. 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 <i>including partnerships and collaboration arrangements</i> • Internal audit • External audit • Financial reporting • Risk management • Value for money or best value 	Y			Constitution, Part 3 - Responsibility for functions, (Scheme of delegation). The Council's Scrutiny Committees review partnership and collaboration arrangements. In addition the North Devon Crematorium is regularly audited by North Devon Council and internal audits of other collaborative arrangements are reported to A&G as appropriate (e.g. in 2017/18 this included an audit of Wessex Home Improvement Loans by SWAP)



	<ul style="list-style-type: none"> Counter-fraud and corruption. <i>supporting the ethical framework</i> 				Codes of Conduct in place for Members and Officers and a Register of Member Interests published. A&G Committee periodically review and improve Anti-Fraud Corruption and Bribery Policy and Whistleblowing Policy. Ethics and Values internal audit reports are included in the Audit Plan (most recently in December 2016)
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			Coverage is considered appropriate, but if this were to be the case then such plans would be prepared.
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 <i>consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</i> 	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	<i>Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council as appropriate for the organisation?</i>	Y			•Independent position formally advertised and ‘best’ candidate selected
14	Does the chair of the committee have appropriate knowledge and skills?	Y			Chair has received training in ‘chairing skills’. Training provided by DAP and Grant Thornton at August 2017 committee meeting.



15	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. • Training was provided at the July 2017 Committee on Governance / the role of audit committees
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y		<p>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.</p> <p>Other training requirements identified through this self-assessment process.</p>
17	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
18	Is adequate secretariat and administrative support to the committee provided?	Y		<p>Democratic Services draw up the agenda, circulate committee papers, and prepare/publish minutes</p> <p>Service Improvement Officer meets with the Chair to discuss forthcoming agenda items</p>
19	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.
20	<i>Are meetings effective with a good level of discussion and engagement from all the members?</i>	Y		Meetings are considered to be effective. Members are engaged and ask relevant and appropriate questions of officers to further inform the assurance that they are being provides.
21	<i>Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?</i>	Y		<p>Re engaging with leaders and managers, a recent example has been on updates to the Data Protection Act 2017 and GDPR, where the Senior Solicitor updated the committee on the progress against both. The Senior Solicitor confirmed that training days would be held for staff and members with regards the new regulations.</p> <p>Re discussion of audit findings, risks and action plans - All internal audit reports are circulated to A&G members in full, with a summary included within the committee papers. In February 2018 the Senior Solicitor was asked questions in relation to a Planning audit and confirmed that a planning improvement plan was in place.</p>



22	<i>Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?</i>	Y			<p>The A&G committee plays an active role in the improvement of governance, risk and control. Members challenge officers to ensure that risks are understood and that mitigating controls are achieving the desired effect.</p> <p>Members take a keen and active interest in ensuring agreed actions are implemented. Discussion at the December 2017 meeting, and agreed minutes, provide good evidence of member involvement e.g.</p> <p><i>Members also discussed archiving the Audit action for Waste however the Independent Member raised that it should not be archived as it was too much of a risk as if there is no formal contract therefore who is liable.</i></p> <p><i>Members raised their worries regarding no formal agreement in place and possible non compliance with the FRP, therefore the Strategic Manager (Resources) agreed to discuss with the Waste & Recycling Manager and report back.</i></p> <p><i>Members also discussed the proposal to extend time to complete the information management policy and the IT security policy. Members felt that due to cyber security risks these documents could not be delayed and the Strategic Management (Resources) agreed to review this matter and report back.</i></p>
23	<i>Has the committee evaluated whether and how it is adding value to the organisation?</i>			N	<p>A consultation with all Members was carried out in 2016 but there was a limited response and it was agreed that the Chair would provide updates to Full Council. Please see action 25 below.</p>
24	<i>Does the committee have an action plan to improve any areas of weakness?</i>	Y			<p>The Committee undertakes an annual self assessment against the CIPFA expected standards. Where actions are identified, then an action plan will be prepared. On a regular basis the Committee will consider its needs make improvements as required. For example, a training need may be required, and training from officers will be requested.</p>
25	<i>Does the committee publish an annual report to account for its performance and explain its work?</i>			N	<p>A presentation was made by the A&G Chair to Full Council at the 2018 AGM but an annual report has not been published.</p> <p>The Head of DAP has prepared such a report, based on examples used at other organisations, for information and for taking forward.</p>

