

REPORT OF DAP Partnership Manager
To: Audit & Governance Committee
Subject: Effectiveness of the Audit Committee
Date: 5th October 2021

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". Appendix A provides a self-assessment checklist for audit committees to compare themselves to CIPFA "Good Practice".

2. REPORT

The self-assessment checklist has initially been completed as far as possible by the S151 Officer and the DAP Partnership Manager and is attached for consideration and update by the Committee.

As members will see, the self-assessment, by and large, provides positive confirmation that the Audit & Governance Committee meets expected standards and best practice. Question 20 asks "are meetings effective with a good level of discussion and engagement from all the members?". Overall, meetings are considered to be effective, and members are engaged and ask relevant and appropriate questions of officers to further inform the assurance that they are being provided, however, in recent meetings, questions have predominantly been asked by the Chair, with lesser contribution from other members – this may be an area that requires discussion and attention.

During the period March 2020 to June 2021, meetings were held "virtually" using Zoom. We are now moving towards a "hybrid" approach, where members attend "in person" but some officers, and groups such as External and Internal Audit continue to attend remotely. **It would be good to seek members views on how they are finding this way of working. Does the technology enable a "good" meeting?**

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 has 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 suggest could be developed further – for example in asking probing questions.

Members consider the use of "hybrid" meetings since July 2021 onwards, and provide their views on how they are finding this way of working. Does the technology enable a "good" meeting to take place?

SUPPORTING INFORMATION

Consultations:	Steve Hearse, Chief Executive Officer Councillor Philip Hackett, Chair of A&G Committee
Contact Officer:	David Heyes – S151 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 - October 2021**

Audit committee purpose and governance		Y	P	N	Comments / evidence / actions required
1	Does the authority have a dedicated audit committee?	Y			Audit and Governance (A&G) 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. External Audit (Grant Thornton) provide reports on their work, which are concluded in the Annual Audit & Inspection Letter. Other agency's reports are considered and actioned upon 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			The minutes of A&G show what has been discussed and agreed (e.g. risk management strategies; internal control statements; anti-fraud arrangements; whistle-blowing strategies).
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 including partnerships and collaboration arrangements • Internal audit • External audit • Financial reporting • Risk management • Value for money or best value • Counter-fraud and corruption. • supporting the ethical framework 	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 audited by the Internal Audit provider for North Devon Council and internal audits of other collaborative arrangements are reported to A&G as appropriate. Codes of Conduct in place for Members and Officers and a Register of Member Interests published. The A&G Committee periodically review and aim to improve the Anti-Fraud Corruption and Bribery Policy and Whistleblowing Policy.



					The Internal Audit planning process will consider issues such as Ethics and Values and such areas will be audited dependant upon the relative risk rating (Ethics and Values 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			An annual assessment of the effectiveness of the Committee is completed. External Audit – appointed via Public Sector Audit Appointments (PSAA) and External Auditor (Grant Thornton (GT)) must meet the standards set of it by PSAA. Internal Audit – must comply with the Public Sector Internal Audit Standards (PSIAS). Our internal audit provider (Devon Audit Partnership (DAP) was subject of external review, carried out in, December 2016 which confirmed compliance with standards. (Next review due November 2021).
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 Chief Executive Officer, 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 has 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 non-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 For example, 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 • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	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. • The Committee has a position for an Independent Member, but this post is currently vacant. <p>The Redmond Review has recommended that all audit committees have at least one independent member – this is not yet statute.</p>
13	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?				Previously, the Independent position was 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'. Various training provided, most recently training provided by DAP and Grant Thornton at Buckfast Abbey October 2019. Covid has had an impact on such sessions, but we are hopefully that these will be re-commenced soon.
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 invited to and attended training session delivered by DAP & GT • Training on Financial Statements and the Annual Governance Statement (AGS) process is provided each year as necessary. • Joint training with NDC was provided in June 2019 covering the role of the Committee, Financial Statements, Governance and Risk Management. • Survey undertaken in October 2019 to identify training needs. However, it should be noted that the response to the survey was limited.
16	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 2019 for the newly appointed committee members. Other training requirements identified through this self-assessment process.
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		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
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	Are meetings effective with a good level of discussion and engagement from all the members?	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 provided. In recent meetings, questions have predominantly been asked by the Chair, with lesser contribution from other members – this may be an area that requires discussion and



				attention During the period March 2020 to June 2021, meetings were held “virtually” using Zoom. We are now moving towards a “hybrid” approach, where members attend “in person” but some officers will continue to attend remotely. It would be good to seek members views on how they are finding this way of working. Does the technology enable a “good” meeting?
21	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?	Y		Re engaging with leaders and managers, a recent example has been the A&G committees’ interest in ensuring that all Council members to be aware of General Data Protection Regulations (GDPR). In February 2020 the committee were informed that that 59% of councillors had carried out the training and requested that the Strategic Manager (Resources) draft an email to councillors reminding them of the need for training and safeguarding training dates.
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y		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. For example, Members have previously queried the action proposed by management regarding safeguarding. Officers provided the background to this action and the struggle to gain representation of both Board Members at meetings with the Devon-wide safeguarding group. Members raised concern at the situation and the impact on information sharing protocols. It was felt there was a need for very strong representation to Devon County Council regarding this.
23	Has the committee evaluated whether and how it is adding value to the organisation?			N 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.
24	Does the committee have an action plan to improve any areas of weakness?	Y		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.



25	Does the committee publish an annual report to account for its performance and explain its work?	Y			An annual report on the operations of the Audit Committee was taken to Full council in September 2018. An annual report for year ending 31/09/2020 was prepared for the Chair of the Audit & Governance Committee.
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