

AUDIT COMMITTEE SELF-ASSESSMENT OF GOOD PRACTICE

Responsible Officer James Walton

e-mail: James.walton@shropshire.go.uk Tel: 01743 255011

1. Summary

Members are asked to review and comment on the self-assessment of good practice questionnaire attached to this report which will allow them to assess the effectiveness of the Audit Committee and identify whether there are any further improvements that could be made to improve the Committee's overall effectiveness.

2. Recommendations

Members are asked to:

- A. Consider and comment as appropriate on the attached self-assessment of good practice and identify any amendments required.
- B. Identify if there is any further work, actions or training required as a result of the completion of the self-assessment of good practice.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 An Audit Committee has a key function in ensuring effective corporate governance, risk and control arrangements are in place in the Council. The effectiveness of the committee should be judged by the contribution it makes to, and beneficial impact it has on, the Council's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements to enable an effective Audit Committee. By reviewing their effectiveness against a good practice self-assessment on an annual basis, the committee can demonstrate a high degree of performance and evidence that the committee is soundly based with a knowledgeable membership that is not impaired in any way. Completion of the self-assessment can also be used to support the planning

of the Audit Committee work programme and training plans and inform the Committee's annual report to Council.

- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

There are no financial implications in terms of reviewing the assessment but any resulting activities may require funding if they are not already allowed for in the base budget.

5. Background

- 5.1 The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; 'Audit Committees in Local Authorities and Police, 2013 edition'. The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local Government issued in 2005.
- 5.2 In the guidance CIPFA provide a suggested self-assessment against recommended practice. Authorities are encouraged to use the checklist as an indicator that they are meeting recommended practice and of the committee's effectiveness; following which any changes or improvements identified that would enhance the Committee's performance should be managed.
- 5.3 The Section 151 Officer and the Audit Service Manager have completed an initial review of the self-assessment based on information from previous assessments and with knowledge of the Committee's compliance with recommended practices for members to consider, discuss and amend as they require.
- 5.4 It was felt that this method of completing the questionnaire would minimise the input that members would initially have to make but would allow them to amend and agree at the meeting the final version of the assessment. A copy of the self-assessment is attached for Members to review at **Appendix A**.

6 Issues to consider

- 6.1 Compliance against most of the aspects of the self-assessment can be demonstrated. Depending on members' consideration of the outcomes of the self-assessment, there may be some recommendations or improvements that are identified that can further improve the effectiveness of the Audit Committee. In particular, Members may wish to pay attention to the following questions when reviewing the assessment:

Question 6: Are the arrangements to hold the committee to account for its performance operating satisfactorily?

- 6.2 As the group to which the Audit Committee is accountable, the Council should hold the committee to account on a regular basis and CIPFA suggests a number of aspects that should be considered which include:
- Whether the committee has fulfilled its agreed terms of reference.
 - Whether the committee has adopted recommended practice.
 - Whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities.
 - Whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review.
 - What impact the committee has on the improvement of governance, risk and control within the Council.
- 6.3 The preparation of the annual report by the committee to Council addresses a number of these areas; it is recommended that this is reviewed and revised to ensure compliance with these aspects when the report is next written.
- 6.4 In addition, CIPFA provides guidance on evaluating the effectiveness of the Audit Committee and it is proposed that a future training session is set aside to consider the approach of the committee against this new guidance and members' individual needs against the revised knowledge and skills framework. This approach would satisfy and provide clarity on the following questions which can presently only be answered in part:

Question 15: Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?

Members have been assessed against previous knowledge and skills frameworks and training plans developed, but not under the new CIPFA guidance which will have similarities but may have new aspects to it.

Question 18: Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?

Audit Committee delivers an influential role within the Council, demonstrated by the outcome of various recommendations made and by officers and others relying on the committee's output. A more detailed review in these aspects, against the new framework may inform further improvements.

Question 19: Has the committee evaluated whether and how it is adding value to the organisation?

The annual report to Council demonstrates this and a review, as mentioned above, of the report's contents will help to ensure that all aspects of the committee's responsibilities are demonstrated.

Question 20: Does the committee have an action plan to improve any areas of weakness?

The committee could demonstrate compliance under the previous CIPFA guidance. A detailed evaluation of some aspects of the new guidance is required to ensure that the committee is complying, where appropriate, with the guidance and this may result in an improvement plan, which, when delivered will provide further evidence of compliance.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA: Audit Committees in Local Authorities and Police, 2013 edition

CIPFA: Position Statement of Audit Committees in Local Government issued in 2005.

Cabinet Member (Portfolio Holder)

Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

Local Member n/a

Appendices Draft Self-assessment of good practice

Appendix A: Self-assessment of Good Practice

Good practice questions		Yes	Partly	No
Audit Committee purpose and governance				
1	Does the authority have a dedicated audit committee?	✓		
2	Does the audit committee report directly to full council? (Applicable to local government only.)	✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓		
4	Is this role and purpose of the audit committee understood and accepted across the authority?	✓		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓	
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFAs Position Statement?			
	<ul style="list-style-type: none"> • Good governance 	✓		

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> Assurance framework 	✓		
	<ul style="list-style-type: none"> Internal audit 	✓		
	<ul style="list-style-type: none"> External audit 	✓		
	<ul style="list-style-type: none"> Financial reporting 	✓		
	<ul style="list-style-type: none"> Risk management 	✓		
	<ul style="list-style-type: none"> Value for money or best value 	✓		
	<ul style="list-style-type: none"> Counter-fraud and corruption 	✓		
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?	✓		
9	Has the audit committee considered the wider area identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓		
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?	✓		

Good practice questions		Yes	Partly	No
Membership and support				
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 	✓		
	<ul style="list-style-type: none"> • An appropriate mix of knowledge and skills among the membership 	✓		
	<ul style="list-style-type: none"> • A size of committee that is not unwieldy 	✓		
	<ul style="list-style-type: none"> • Where independent members are used, that they have been appointed using an appropriate process. 	✓		
13	Does the chair of the committee have appropriate knowledge and skills?	✓		
14	Are arrangements in place to support the committee with briefings and training?	✓		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓	

Good practice questions		Yes	Partly	No
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓		
17	Is adequate secretariat and administrative support to the committee provided?	✓		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓	
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓	
20	Does the committee have an action plan to improve any areas of weakness?		✓	