

AUDIT COMMITTEE SELF-ASSESSMENT OF GOOD PRACTICE

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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, agree or otherwise 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 produced 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.
- 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 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 felt appropriate at their meeting in February earlier this year. Compliance against most of the aspects of the self-assessment could be demonstrated. Members endorsed the self-assessment of good practice and asked that the Audit Manager monitor progress on the continued effectiveness of the Committee, in particular as detailed in questions 18 to 20 of the Assessment and draw up an action plan to address any deficiencies.

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

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

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

- 5.4 **Appendix A** provides an updated copy of the self-assessment.

6 Issues to consider

- 6.1 Since February, in order to gain a better picture of the Committee's understanding and review of its own effectiveness, Members have:

- Completed a self-assessment of individual training requirements
- Completed a self-assessment of the effectiveness of the audit committee
- Attended training sessions in June and October 2014, which:
 - Explored how members would evaluate the effectiveness of the audit committee.
 - Considered the collated findings of the two self-assessments.
 - Assessed the committees approach to risk management and internal controls alongside their knowledge of strategic risks.
 - Considered what good governance, IT governance, programme and project management was.
 - Considered questioning techniques to build on the Members' ability to challenge robustly.
 - Sought assurance on how the Council demonstrates VFM and
 - Covered key topics in the areas of locality commissioning and adult social care.

6.2 Progress against all areas that demonstrated partial compliance at the last review in February is set out below. Members are asked to consider the activities that have been undertaken, consider and endorse any future improvement actions.

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

Decision required: move from a partly to a yes?

6.3 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 it 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.

6.4 Minutes of the Council do not reflect that it is actively holding the Audit Committee to account however, the transparency of the actions delivered provides this assurance:

- The work plan and activities of the committee evidence that it fulfils the agreed terms of reference
- Reports on this agenda, in relation to the terms of reference for the Audit Committee and self-assessment against good practice demonstrate compliance with recommended practice.
- Development needs of members have been assessed against best practice and regular member training delivered. In addition,

members have direct access to CIPFA's Better Governance Forum (BGF) which provides briefing updates throughout the year alongside regular updates and training provided by the External Auditor, Grant Thornton.

- Committee Members have assessed the effectiveness of the committee which has formed part of the training delivered to date and will be used to inform future development activity.
- The Committee has considered its impact on risk and control at the Council and through the Annual report to Council sets out what it has delivered. The report was reviewed to ensure compliance with best practice in June.

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

Decisions required: move from a partly to a yes to reflect that the majority of skills and knowledge requirements are located within the current membership?

Identify governance and legal as areas for future development as part of an action plan under question 20, see below.

6.5 Members have been assessed against the new CIPFA core knowledge and skills framework the results of which have been discussed at Member training session.

6.6 Members confidently demonstrated all of the core skills. Not all members are expected to demonstrate all of the specialist skills. Members identified between them knowledge of accountancy, internal audit, risk management, service knowledge, programmes and programme management, IT systems and governance but did not feel confident in general governance and legal knowledge.

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

Decision required: move from a partly to a yes?

6.7 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 committees output. Recent training sessions explore the performance of the Audit Committee. Performance is also reviewed by the Council; please see the responses to question six above. There has been no negative feedback received in respect of the committees operations.

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

Decisions required: move from a partly to a yes?

Identify activities from the information below to be included in an action plan as part of the response to question 20.

6.8 The annual report to Council demonstrates how and where the committee adds value. This has been supported further by the Committee evaluating its own effectiveness this year. The top three areas for further improvements have been identified initially as:

- Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.

The Audit Committee can add value and provide evidence of its effectiveness by:

- Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.
- Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.
- Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.
 - Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.
 - Reviewing the effectiveness of performance management arrangements.
- Promoting the principles of good governance and their application to decision making.
 - Providing robust review of the AGS and the assurances underpinning it.
 - Working with key members/governors to improve their understanding of the AGS and their contribution to it.
 - Supporting reviews/audits of governance arrangements.
 - Participating in self-assessment of governance arrangements.
 - Working with partner audit committees to review governance arrangements in partnerships.

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

Decisions required: move from a partly to a yes?

Agree activities for inclusion in the improvement action plan. All improvements identified will be included in the Audit Committee's work and training plans

- 6.9 Following the evaluation against the new guidance and learning from the self-assessments members are asked to consider and agree 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 Self-assessment of good practice November 2014

Appendix A: Self-assessment of Good Practice November 2014

| 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 the 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 CIPFA's Position Statement? | | | |
| | <ul style="list-style-type: none"> • Good governance | ✓ | | |
| | <ul style="list-style-type: none"> • Assurance framework | ✓ | | |
| | <ul style="list-style-type: none"> • Internal audit | ✓ | | |

| Good practice questions | | Yes | Partly | No |
|--------------------------------|---|------------|---------------|-----------|
| | <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? | ✓ | | |
| 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 | ✓ | | |

| Good practice questions | | Yes | Partly | No |
|---------------------------------------|---|------------|---------------|-----------|
| | <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? | ✓ | ✓ | |
| 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? | ✓ | ✓ | |