



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
26 November 2015	
9:30 am	<u>Public</u>

## 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. The questionnaire allows members to assess the effectiveness of the Audit Committee and identify whether there are any further improvements that could be made which would improve its 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 The 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 which empower an effective Audit Committee. By reviewing effectiveness annually using a good practice self-assessment, it can be established that the Committee is

demonstrating a high degree of performance, is soundly based, and has a knowledgeable membership unimpaired 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 to determine if they are meeting recommended practice and as an indicator of the Committee's effectiveness; following which any changes or improvements identified to 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 appropriate. Members did this at Audit Committee meetings and during training sessions in February and November 2014. An annual refresh is now due. In preparation for which, the self-assessment has been updated and circulated to members for consideration prior to this meeting attached as **Appendix A**.
- 5.5 In 2014, Members completed the following activities to gain a better picture of the Committee's understanding of its effectiveness as part of the review process:
- A self-assessment of individual training requirements.
  - A self-assessment of the effectiveness of the audit committee.

Learning from these self-assessments is still valid, as membership of the committee has seen few changes, and the data extracted continues to inform training sessions and identify areas for continued improvement. These are balanced alongside ongoing requests from committee members in response

to current topics. Training sessions provided in February, June and November 2015 have included:

- Updates from the Council’s external auditors on fraud.
- Discussions around the Statement of Accounts.
- Guidance on what good governance looks like and how to review the Annual Governance Statement robustly.
- How members can approach a review of the audit plan.
- Presentations on ICT including updates on the operational programme of work, associated management of risks, progress towards improved controls, systems and processes.
- An insight into the Commissioning framework and supporting processes used to transfer services out of the Council. How options are assessed, risks are considered, how the process is managed and other information.
- Information on the processes used and approach taken in order to provide assurances on the Council’s financial resilience and setting of a sustainable budget from both a financial perspective and that of services.
- Financial resilience from Grant Thornton’s perspective as external auditor.

**Appendix 2** provides a summary from the self-assessment showing the areas members have identified for future focus and refresh sessions and also where updated training has been provided.

5.6 Following the last review in November 2014, no areas of partial compliance were identified.

***Members are asked to consider if this is still the case?***

5.7 Compliance against the self-assessment can be demonstrated. Members are asked to endorse the self-assessment of good practice and identify any areas for improvement or additional training.

**Are there any areas that Members would like to prioritise for further improvement or updating?**

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b> CIPFA: Audit Committees in Local Authorities and Police, 2013 edition
<b>Cabinet Member (Portfolio Holder)</b> Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)
<b>Local Member</b> n/a
<b>Appendices</b> <b>A</b> Self-assessment of good practice November 2015 <b>B</b> Analysis of training requirements and the effectiveness of the Audit Committee based on the 2014 self-assessments

## Appendix A: Self-assessment of Good Practice November 2015

Good practice questions		Yes	Partly	No
<b>Audit Committee purpose and governance</b>				
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?	✓		
<b>Functions of the committee</b>				
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"> <li>• Good governance</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>• Assurance framework</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>• Internal audit</li> </ul>	✓		

<b>Good practice questions</b>		<b>Yes</b>	<b>Partly</b>	<b>No</b>
	<ul style="list-style-type: none"> <li>External audit</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>Financial reporting</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>Risk management</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>Value for money or best value</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>Counter-fraud and corruption</li> </ul>	✓		
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?	✓		
<b>Membership and support</b>				
12	Has an effective audit committee structure and composition of the committee been selected?  This should include:	✓		
	<ul style="list-style-type: none"> <li>Separation from the executive</li> </ul>	✓		

<b>Good practice questions</b>		<b>Yes</b>	<b>Partly</b>	<b>No</b>
	<ul style="list-style-type: none"> <li>An appropriate mix of knowledge and skills among the membership</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>A size of committee that is not unwieldy</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>Where independent members are used, that they have been appointed using an appropriate process.</li> </ul>	✓		
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?	✓		
<b>Effectiveness of the committee</b>				
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?	✓		

## Appendix B: Analysis of training requirements based on 2014 self-assessments.

### Training requirements

Level of confidence reported in skills set and knowledge across the majority of committee members

H	High
M	Medium
L	Low

#### CORE SKILLS

H	Organisational knowledge
H	Audit Committee role and functions
H	Governance
H	Internal Audit
H	Financial management and accounting
H	External Audit
H	Risk Management
H	Counter-fraud
H	Values of good governance
H	Treasury management
H	Strategic thinking and understanding of materiality
H	Questioning and constructive challenge
H	Focus on improvement
H	Able to balance practicality against theory
H	Clear communication skills and focus on the needs of users

#### Evidence of training

2014
2014
2015, 2014
2015, 2014
2015
2014
2015
2015, 2014
2014

**SPECIALIST SKILLS**

M	Accountancy	2015
M	Internal Audit	2015, 2014
M	Risk Management	2015, 2014
L	Governance and Legal	2015
M	Service knowledge relevant to the functions of the organisation	2014
M	Programme and project management	2015, 2014
M	IT system and IT governance	2015, 2014

**Analysis of the effectiveness of Audit Committee based on 2014 self-assessments.**

- M Promoting the principles of good governance and their application to decision making.
- M Contributing to the development of an effective control environment.
- M Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.
- M Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.
- M Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.
- L Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.
- M Supporting the development of robust arrangements for ensuring value for money.
- M Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risk.
- L Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.