

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh, Chief Internal Auditor
<b>Date of Meeting</b>	30 June 2016

## AUDIT COMMITTEE SELF-EVALUATION

### 1.0 Purpose of the report:

- 1.1 To consider the feedback from the self-evaluation exercise undertaken by the Audit Committee and senior officers who engage with the Committee on a regular basis.

### 2.0 Recommendation(s):

- 2.1 To consider the outcome of the self-evaluation exercise and determine whether the Committee would like to develop an improvement plan to build on the feedback received.

### 3.0 Reasons for recommendation(s):

- 3.1 To develop the effectiveness of the Audit Committee.

- 3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.2b Is the recommendation in accordance with the Council's approved budget? Yes

- 3.3 Other alternative options to be considered.

None.

### 4.0 Council Priority:

- 4.1 The relevant Council Priorities are

"The economy: Maximising growth and opportunity across Blackpool"

"Communities: Creating stronger communities and increasing resilience"

## 5.0 Background Information

### 5.1 Elected Member Feedback

5.2 Members of the Audit Committee were invited to complete a self-evaluation checklist to help measure the effectiveness of the Committee. Four Members responded and completed a self-evaluation checklist which was based on the CIPFA Guidance for Audit Committees (2013).

5.3 The self-assessment checklist asked members to consider a number of questions in relation to the following topics:

- Audit Committee Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

5.4 The results of the completed self-evaluation, along with the results from when the exercise was completed twelve months prior can be seen in the following table. An indication of the direction of travel has also been provided:

Ref	Good Practice Questions	June 2016			June 2015			DoT
		Yes	Partly	No	Yes	Partly	No	
<b><i>Audit Committee Purpose and Governance</i></b>								
1	Does the authority have a dedicated Audit Committee?	100%	0%	0%	100%	0%	0%	✓
2	Does the Audit Committee report directly to full Council?	50%	25%	25%	29%	57%	14%	✓
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement?	100%	0%	0%	86%	14%	0%	✓
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?	25%	75%	0%	43%	43%	14%	✗
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	100%	0%	0%	86%	14%	0%	✓

<b>6</b>	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	50%	50%	0%	57%	29%	14%	✗
<b>Functions of the Committee</b>								
<b>7</b>	Does the Committee's term of reference explicitly address all the core areas identified in CIPFA's position statement?							
	• Good governance	100%	0%	0%	86%	14%	0%	✓
	• Assurance framework	75%	25%	0%	86%	14%	0%	✗
	• Internal audit	100%	0%	0%	71%	29%	0%	✓
	• External audit	100%	0%	0%	86%	14%	0%	✓
	• Financial reporting	100%	0%	0%	86%	14%	0%	✓
	• Risk management	75%	25%	0%	86%	14%	0%	✗
	• Value for money or best value	50%	50%	0%	43%	57%	0%	✓
	• Counter-fraud and corruption	100%	0%	0%	86%	14%	0%	✓
<b>8</b>	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?	75%	25%	0%	57%	14%	29%	✓
<b>9</b>	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?	25%	75%	0%	14%	72%	14%	✓
<b>10</b>	Where coverage of core areas has been found to be limited, are plans in place to address this?	100%	0%	0%	72%	14%	14%	✓
<b>11</b>	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?	75%	25%	0%	100%	0%	0%	✗

**Membership and Support**

<b>12</b>	<p>Has an effective Audit Committee structure and composition to the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• Separation from the Executive</li> <li>• An appropriate mix of knowledge and skills among the membership</li> <li>• A size of Committee that is not unwieldy</li> <li>• Where independent members are used, that they have been appointed using an appropriate process</li> </ul>	100%	0%	0%	86%	14%	0%	✓
<b>13</b>	Does the Chair of the Committee have appropriate knowledge and skills?	100%	0%	0%	-	-	-	✓
<b>14</b>	Are arrangements in place to support the Committee with briefings and training?	100%	0%	0%	100%	0%	0%	✓
<b>15</b>	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?	0%	100%	0%	57%	43%	0%	✗
<b>16</b>	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	75%	25%	0%	86%	14%	0%	✗
<b>17</b>	Is adequate secretariat and administrative support to the Committee provided?	100%	0%	0%	100%	0%	0%	✓

<b>Effectiveness of the Committee</b>								
<b>18</b>	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	25%	75%	0%	14%	72%	14%	✓
<b>19</b>	Has the Committee evaluated whether and how it is adding value to the organisation?	50%	25%	25%	14%	72%	14%	✓
<b>20</b>	Does the Committee have an action plan to improve any areas of weakness?	50%	25%	25%	29%	42%	29%	✓

### 5.5 **Officer Feedback**

5.6 A number of Officers who engage with the Audit Committee were also asked to undertake an evaluation of the Committee based on their experiences. A number of questions were asked, based on the CIPFA Guidance on Audit Committees (2013) and officers were also asked to provide any comments or suggestions as to potential improvements going forward. Seven responses were received in total.

5.7 Some officers did not feel that they had enough experience of the Committee to make a judgement and where this is the case the output has been recorded as 'not applicable'.

5.8 The results of the completed self-evaluation, along with the results from when the exercise was completed twelve months prior can be seen in the following table. An indication of the direction of travel has also been provided:

Ref	Good Practice Questions	June 2016			June 2015			DoT
		Yes	Partly	N/a	Yes	Partly	N/a	
<b>1</b>	Is the role and purpose of the Audit Committee understood and accepted across the authority?	71%	29%	0%	60%	40%	0%	✓
<b>2</b>	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	100%	0%	0%	20%	80%	0%	✓

<b>3</b>	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	43%	43%	14%	20%	40%	40%	✓
<b>4</b>	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?	100%	0%	0%	60%	20%	20%	✓
<b>5</b>	Does the Chair of the Committee have the appropriate knowledge and skills?	100%	0%	0%	-	-	-	✓
<b>6</b>	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	100%	0%	0%	100%	0%	0%	✓
<b>7</b>	Do you consider that the Audit Committee performs well and achieves its core function?	100%	0%	0%	20%	80%	0%	✓
<b>8</b>	Do you believe that the Audit Committee adds value to the organisation?	85%	15%	0%	20%	80%	0%	✓
<b>9</b>	Do you find members of the committee approachable?	100%	0%	0%	100%	0%	0%	✓
<b>10</b>	Do you feel that the committee offers the appropriate level of challenge?	57%	43%	0%	40%	60%	0%	✓

## 6.0 Comments

### 6.1 Role and Purpose of Committee

- The role and purpose of the Audit Committee is better understood now that the terms of reference of the Committee have been refined to its core purpose and there is less of a distraction with the finance role.
- The role and purpose of the Committee are well understood at Corporate Leadership Team level; however the level of understanding decreases as the seniority of officers decreases.
- The level of understanding of the role and purpose of the Audit Committee across Elected Members is variable with some having a very good understanding but others requiring further training.

### 6.2 Committee Performance

- The Chairman takes an active role in the work of the Committee, has a sound level of knowledge and understands the Committee's purpose and direction.
- The Committee has started to add value over the last twelve months and will no doubt build on this in the future.
- Regular training sessions are provided to Committee members to supplement knowledge and skills.
- There is a stronger, structured interaction with scrutiny and also an annual report to Council.
- The introduction of the Chairman's annual report to Council will help hold the Committee to account for its performance. However, it will probably take a while before the Committee's performance is properly challenged via this arrangement.

### 6.3 Working Relationships

- The Committee members are very approachable and supportive as well as professional.
- There are good relations between key officers and members involved with the Committee.
- It is unclear how external audit interacts directly with the Chairman. This may be an area to develop in the future and it may be beneficial to review how this is done in other local authorities.

### 6.4 Challenge

- As a whole the Committee offers the appropriate level of challenge.
- The challenge role has improved over the last twelve months with the Chairman in particular leading the holding to account process. This has encouraged other members to follow suit, although not all members fully buy into this way of working.

- Having an opposition party member as Chairman of the Committee helps lead the activity. On the whole the Committee operates in a non-political way and seeks to provide the required level of assurance.

Does the information submitted include any exempt information?

No

**List of Appendices:**

None.

**7.0 Legal considerations:**

7.1 The purpose of the self-evaluation is to help ensure that Members effectively fulfil their responsibilities as members of the Audit Committee.

**8.0 Human Resources considerations:**

8.1 Members may wish to complete the CIPFA Guidance on Audit Committees (2013) evaluation titled 'Audit Committee Members – Knowledge and Skills Framework'. This may identify additional training and development needs which could potentially be provided internally, or where budget allows, at external events.

**9.0 Equalities considerations:**

9.1 All Members of the Committee have the same access to training available.

**10.0 Financial considerations:**

10.1 It is anticipated that the training programme for Committee Members will be delivered within existing Council budgets.

**11.0 Risk management considerations:**

11.1 The Audit Committee has a key role in the governance of the Council and therefore it is important that it engages in the development and delivery of an improvement plan to ensure that it can effectively manage risk.

**12.0 Ethical considerations:**

12.1 None

**13.0 Internal/ External Consultation undertaken:**

13.1 Consultation has taken place with Members of the Committee and Chief Officers.

**14.0 Background papers:**

14.1 CIPFA Audit Committee Guidance (2013).