

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh – Chief Internal Auditor
<b>Date of Meeting</b>	22 June 2017

## 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 and to approve the training plan.

### 2.0 Recommendation(s):

- 2.1 To consider the outcome of the self-evaluation exercise and approve the training programme.

### 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. Six 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 2017			June 2016			DoT
		Yes	Partly	No/ Not Sure	Yes	Partly	No	
<b><i>Audit Committee Purpose and Governance</i></b>								
1	Does the authority have a dedicated Audit Committee?	100 %	-	-	100 %	-	-	✓
2	Does the Audit Committee report directly to full Council?	100 %	-	-	50%	25%	25%	✓
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement?	100 %	-	-	100 %	-	-	✓
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?	50%	33%	17%	25%	75%	0%	✓
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	100 %	-	-	100 %	-	-	✓

6	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	83%	17%	-	50%	50%	-	✓
<b>Functions of the Committee</b>								
7	Does the Committee's term of reference explicitly address all the core areas identified in CIPFA's position statement?							
	• Good governance	83%	-	17 %	100%	-	-	✗
	• Assurance framework	83%	-	17 %	75%	25%	-	✓
	• Internal audit	83%	-	17 %	100%	-	-	✗
	• External audit	83%	-	17 %	100%	-	-	✗
	• Financial reporting	67%	17%	17 %	100%	-	-	✗
	• Risk management	83%	-	17 %	75%	25%	-	✓
	• Value for money or best value	67%	17%	17 %	50%	50%	-	✓
	• Counter-fraud and corruption	67%	17%	17 %	100%	-	-	✗
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?	100 %	-	-	75%	25%	0%	✓
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?	67%	17%	17 %	25%	75%	-	✓
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	67%	-	33 %	100%	-	-	✗

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?	100 %	-	-	75%	25%	-	✓
<b>Membership and Support</b>								
12	Has an effective Audit Committee structure and composition to the committee been selected? This should include: <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>	67%	33%	-	100%	-	-	✗
13	Does the Chair of the Committee have appropriate knowledge and skills?	100 %	-	-	100%	-	-	✓
14	Are arrangements in place to support the Committee with briefings and training?	100 %	-	-	100%	-	-	✓
15	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?	40%	20%	40 %	0%	100 %	0%	✓
16	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	80%	20%	-	75%	25%	0%	✓

<b>17</b>	Is adequate secretariat and administrative support to the Committee provided?	100 %	-	-	100%	0%	0%	✓
<b><i>Effectiveness of the Committee</i></b>								
<b>18</b>	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	60%	-	40 %	25%	75%	0%	✓
<b>19</b>	Has the Committee evaluated whether and how it is adding value to the organisation?	60%	20%	20 %	50%	25%	25 %	✓
<b>20</b>	Does the Committee have an action plan to improve any areas of weakness?	80%	-	20 %	50%	25%	25 %	✓

### **Officer Feedback**

- 5.5 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. Five responses were received in total.
- 5.6 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 2017			June 2016			DoT
		Yes	Partly	No	Yes	Partly	No	
<b>1</b>	Is the role and purpose of the Audit Committee understood and accepted across the authority?	40%	60%	-	71%	29%	-	✗
<b>2</b>	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	100%	-	-	100 %	-	-	✓

<b>3</b>	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	60%	40%	-	43%	43%	14%	✓
<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?	80%	20%	-	100%	-	-	✗
<b>5</b>	Does the Chair of the Committee have the appropriate knowledge and skills?	100%	-	-	100%	-	-	✓
<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?	80%	20%	-	100%	-	-	✗
<b>7</b>	Do you consider that the Audit Committee performs well and achieves its core function?	100%	-	-	100%	-	-	✓
<b>8</b>	Do you believe that the Audit Committee adds value to the organisation?	100%	-	-	85%	15%	-	✓
<b>9</b>	Do you find members of the committee approachable?	80%	20%	-	100%	-	-	✗
<b>10</b>	Do you feel that the committee offers the appropriate level of challenge?	60%	40%	-	57%	43%	-	✓

## Comments

### 5.7 Role and Purpose of Committee

- The role and purpose are understood well by the Committee, most other Members and senior management across the authority. However, as seniority of officers decreases the understanding of the role of Audit Committee decreases.
- The Chair of the Committee and some Members know the key aspects of how the Committee plays its role in affecting good governance.
- Most of the time the Committee focuses on its key role but sometimes, for example community engagement, it strays into looking at service areas rather than seeking the assurances required.

### 5.8 Committee Performance

- The annual report to Council is a good avenue to highlight the good work of the Committee but there has not been a lot of holding to account by this process.

### 5.9 Challenge

- The level of challenge offered by the Committee has continued to improve throughout the year. However, there are significant differences between the level of challenge posed by the various Members of the Committee, although this is improving.
- The key is to encourage the right kind of challenge, such as spotting key issues rather than minutiae and not focusing on personal areas of interest.

## 6.0 Training Programme 2017/2018

To continue to develop the skills and knowledge of Committee Members the following training programme is proposed for 2017/2018:

<b>Date</b>	<b>Topic</b>	<b>Time</b>	<b>Presenter</b>
22 June 2017	Audit Committee Induction / Terms of Reference	5pm to 5.45pm	Director of Governance and Partnerships / Chief Internal Auditor
14 September 2017	Statement of Accounts	4.45pm to 5.45pm	Director of Resources / Chief Accountant
16 November 2017	Cyber Security	5pm to 5.45pm	Head of ICT
18 January 2018	Fraud Awareness	5pm to 5.45pm	Chief Internal Auditor / Corporate Fraud Officer

15 March 2018	Conducting the External Audit	5pm to 5.45pm	KPMG
3 May 2018	Data Protection / Breaches	5pm to 5.45pm	Information Governance Manager

Does the information submitted include any exempt information?

No

**List of Appendices:**

None

**6.0 Legal considerations:**

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

**7.0 Human Resources considerations:**

7.1 Members of the Committee 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.

**8.0 Equalities considerations:**

8.1 All members of the Committee have the same access to training available.

**9.0 Financial considerations:**

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

**10.0 Risk management considerations:**

10.1 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.

**11.0 Ethical considerations:**

11.1 None.



**12.0 Internal/ External Consultation undertaken:**

12.1 Consultation has taken place with Chief Officers and Committee Chair.

**13.0 Background papers:**

13.1 CIPFA Audit Committee Guidance (2013).