

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting	25 June 2020

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 to approve the training programme as well as to consider the other actions as identified in the report.

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 effectiveness of the Audit Committee is relevant to all Council priorities.

5.0 Background Information

5.1 Elected Member Feedback

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

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

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

Ref	Good Practice Questions	May 2018			June 2020			DoT
		Yes	Partly	No	Yes	Partly	No	
<i>Audit Committee Purpose and Governance</i>								
1	Does the authority have a dedicated Audit Committee?	100%	-	-	100%	-	-	-
2	Does the Audit Committee report directly to full Council?	100%	-	-	100%	-	-	-
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement?	100%	-	-	80%	20%	-	✗
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?	60%	20%	20%	80%	20%	-	✓
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	100%	-	-	80%	20%	-	✗
6	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	60%	20%	20%	100%	-	-	✓
<i>Functions of the Committee</i>								
7	Does the Committee's term of reference explicitly address all the core areas identified in CIPFA's position statement?							
	• Good governance	100%	-	-	100%	-	-	-
	• Assurance framework	100%	-	-	100%	-	-	-
	• Internal audit	100%	-	-	100%	-	-	-
	• External audit	100%	-	-	80%	20%	-	✗
	• Financial reporting	80%	20%	-	80%	20%	-	-
	• Risk management	100%	-	-	100%	-	-	-

	<ul style="list-style-type: none"> Value for money or best value 	100%	-	-	60%	40%	-	✗
	<ul style="list-style-type: none"> Counter-fraud and corruption 	100%	-	-	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?	60%	20%	20%	80%	-	20%	✓
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?	40%	20%	40%	40%	20%	40%	-
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	40%	20%	40%	60%	-	40%	✓
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%	-	-	80%	-	20%	✗
Membership and Support								
12	<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"> Separation from the Executive An appropriate mix of knowledge and skills among the membership A size of Committee that is not unwieldy Where independent members are used, that they have been appointed using an appropriate process 	100%	-	-	80%	-	20%	✗
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?	60%	20%	20%	80%	20%	0%	✓
16	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	100%	-	-	100%	-	-	-
17	Is adequate secretariat and administrative support to the Committee provided?	100%	-	-	100%	-	-	-
<i>Effectiveness of the Committee</i>								
18	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	40%	20%	40%	60%	20%	20%	✓
19	Has the Committee evaluated whether and how it is adding value to the organisation?	40%	20%	40%	20%	60%	20%	✗
20	Does the Committee have an action plan to improve any areas of weakness?	40%	40%	20%	60%	-	40%	✓

Comments

Training and Development Requirements

- Happy with the level of training.
- Concise training.
- Explanation of basics in a readable format.
- Work on value for money.
- Any areas which the Committee can help the Council emerge from the pandemic crisis.
- Continued provision of regular training.
- More training around external audit reports.

Key Strengths of the Audit Committee

- Level of challenge.
- Working as one team.
- Good governance and accountability.
- Willingness to learn and positive energy.
- Cross party working and representation.
- Diverse group of members.
- Committed team.
- Chairman is very knowledgeable and effective in his role. Very supportive of other

members and encourages interaction with meetings and training.

- Audit team are very effective at answering questions and taking feedback on board.

Improvements which could be made to the Audit Committee

- Training sessions on a day separate from the Committee meeting.
- The recruitment of an enthusiastic independent member.
- The continued development of newer members of the Committee combined with a more targeted use of more experienced ones.
- Developing the confidence of newer members.
- Sometimes members ask questions not relevant or related to audit.

Officer Feedback

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 and Officers were also asked to provide any comments or suggestions as to potential improvements going forward. Six responses were received in total.

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

Ref	Good Practice Questions	May 2018			June 2020			DoT
		Yes	Partly	No	Yes	Partly	No	
1	Is the role and purpose of the Audit Committee understood and accepted across the authority?	67%	33%	-	50%	34%	16%	✗
2	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	83%	17%	-	100%	-	-	✓
3	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	66%	17%	17%	100%	-	-	✓
4	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core	66%	17%	17%	84%	16%	-	✓

	purpose?							
5	Does the Chair of the Committee have the appropriate knowledge and skills?	100%	-	-	100%	-	-	-
6	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	100%	-	-	100%	-	-	-
7	Do you consider that the Audit Committee performs well and achieves its core function?	67%	33%	-	84%	16%	-	✓
8	Do you believe that the Audit Committee adds value to the organisation?	83%	17%	-	66%	34%	-	✗
9	Do you find members of the committee approachable?	100%	-	-	100%	-	-	-
10	Do you feel that the committee offers the appropriate level of challenge?	50%	50%	-	100%	-	-	✓

Comments

Role and Purpose of Committee

- Not all leaders under CLT understand the role or importance of Audit Committee.
- It's perceived that some officers feel that this is a star chamber rather than an opportunity to clarify issues.

Committee Performance

- The Chair is keen to ensure that the Committee is held to account for its performance.
- The Chair reports to Full Council where questions are asked about the work of the Committee.
- A quality Chair is in place.
- The Chair is prepared for meetings and expects members and officers to have done

likewise.

- The Chair makes every effort to ensure that the Committee has good working relationships with key stakeholders.
- The Committee has a very professional relationship with all key stakeholders.
- Whilst the Chair and some Committee members perform well and achieve the Committee's core function some members don't contribute to this as well as others.
- The Committee adds value by appraising the strategic risks and holding officers to account.
- The essential functions are carried out by the Committee however specific added value is largely difficult to ascertain.
- A number of items on the agenda do make a difference but some appear to be routine rather than essential.

Challenge

- The Committee requires Heads of Service to attend to account for their actions, decisions and performance.
- There is a human tendency for all people to stray into their own opinion and this does sometimes happen.
- An appropriate level of challenge is provided but this tends to be provided by a small core selection of the Committee.
- There is a healthy, inquisitive culture of respectful challenge across the Committee.

Training Programme 2020/2021

To continue to develop the skills and knowledge of Committee Members the following training programme is proposed for 2020/2021:

Date	Topic	Presenter
June 2020	Audit Committee Terms of Reference	Director of Governance and Partnerships
September 2020	Understanding the role of external audit and their reports	Deloitte
November 2020	Statement of Accounts	Chief Accountant
March 2021	Understanding value for money	Director of Resources
April 2021	Managing strategic risks	Head of Audit and Risk

Audit Committee Terms of Reference

The function of the Audit Committee is to provide an independent and high-level resource to support good governance and strong public financial management. The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. The purpose of this training session is to ensure that elected members understand the

roles and responsibilities of the Audit Committee and how it functions as a key component of an authority's governance framework.

Understanding the role of external audit and their reports

The Audit Committee's role in relation to the external audit process has three principal aspects which include providing assurance that the external audit team maintains independence following its appointment, receiving and considering the work of external audit and supporting the quality and effectiveness of the external audit process. The purpose of this training session is to ensure that elected members understand the role of external audit and can correctly interpret the reports provided to the Audit Committee. The session will also cover the impact that Covid-19 could have on financial reporting and how this will be considered by external audit.

Statement of Accounts

Local authority financial statements should follow the professional practices set down in the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC). The Audit Committee undertakes a review of the statements and should satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. The purpose of this training is to equip elected members with the skills to understand this complex document and highlight the areas of particular relevance where the Audit Committee could focus their attention when scrutinising the document.

Understanding value for money

Making best use of resources is a key objective for all local authorities and the Council must have arrangements in place to achieve value for money (VfM). The role of the Audit Committee should focus on whether the authority's overall approach to VfM is in line with governance objectives and should receive assurances on this to underpin the Annual Governance Statement. It should also consider the external auditor's statutory value for money conclusion. The purpose of this session is to ensure that elected members understand what VfM means and how this is demonstrated at the Council so the Audit Committee can ask informed questions to gain assurance that robust arrangements are in place.

Managing Strategic Risks

The role of the Audit Committee in relation to risk management covers three major areas including assurance over the governance of risk, keeping up to date with the risk profile and the effectiveness of risk management actions and monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management. The purpose of this session is to ensure that elected members understand the Council's risk management process and can effectively interpret the strategic risk register. The session will also touch on the importance of the Audit Committee having a flexible agenda in order to adapt to new or heightened risks ensuring that the Audit Committee is responsive and focused on priority issues, such as the Covid-19 pandemic.

Other Actions

In terms of further development of the Audit Committee, members might like to consider:

- **Audit Committee Development Workshop** – this could be facilitated for elected members to review the results of the benchmarking exercise in more detail and assess what further actions can be undertaken to ensure continuous improvements.
- **Terms of Reference Review** – a session could be facilitated to review the Audit Committee’s terms of reference against the CIPFA code and make recommendations on how this could be enhanced.

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 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 members.

13.0 Background papers:

13.1 CIPFA Audit Committee Guidance.