

AUDIT & GOVERNANCE COMMITTEE

13 FEBRUARY 2020

REPORT OF THE HEAD OF AUDIT AND GOVERNANCE & MONITORING OFFICER

AUDIT COMMITTEE EFFECTIVENESS

EXEMPT INFORMATION

None.

PURPOSE

To undertake the annual self-assessment of Audit & Governance Committee effectiveness.

RECOMMENDATIONS

- 1. That the Committee considers the attached self-assessment checklist and endorses any actions to improve its effectiveness as appropriate.**

EXECUTIVE SUMMARY

CIPFA have published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance was updated in 2018 and incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018)* (the Position Statement), which sets out CIPFA's views on the role and functions of an Audit Committee.

The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

Appendix 1 provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.

A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans; and inform the annual report. In advance of the Committee, Committee members were sent a 'knowledge and skills' self-assessment to undertake. The results of these returns have been fed into the assessment at Appendix 1. In addition, actions outstanding from the previous year's assessment have been carried forward where still relevant.

RESOURCE IMPLICATIONS

None.

LEGAL/RISK IMPLICATIONS BACKGROUND

None.

EQUALITIES IMPLICATIONS

None.

SUSTAINABILITY IMPLICATIONS

None.

BACKGROUND INFORMATION

None.

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LIST OF BACKGROUND PAPERS

APPENDICES

Appendix 1 Audit & Governance Committee Self-Assessment of Compliance with Good Practice

Audit and Governance Committee Self-Assessment of Compliance with Good Practice

| Good Practice Questions | Yes | Partly | No | Comments / Actions |
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| Audit committee purpose and governance | | | | |
| 1 Does the Authority have a dedicated audit committee? | Y | | | At least 7 members with membership aligned with the political balance of the Council. Option to co-opt up to 2 independents (see also 12). |
| 2 Does the audit committee report directly to Full Council? | Y | | | Committee produces an Annual Report and reports to Full Council via the Chair with the ability to raise any concerns. There is also a right of access to the Leadership Team. |
| 3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement? | Y | | | Current terms of reference accords with CIPFA guidance. |
| 4 Is the role and purpose of the audit committee understood and accepted across the Authority? | Y | | | Set out in the Constitution – role and purpose understood by Members, Leadership, Assistant Directors and reporting officers. Members Audit & Governance Committee Training for all members held on 6 November 2019. Set out within annual report of the Audit & Governance Committee to Council. |
| 5 Does the audit committee provide support to the Authority in meeting the requirements of good governance? | Y | | | Through coverage of all the areas set out in the Terms of Reference. |
| 6 Are the arrangements to hold the committee to account for its performance operating satisfactorily? | Y | | | Arrangements in place via Committee production of Annual Report to Full Council. |
| Functions of the committee | | | | |
| 7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? | | | | |
| <input type="checkbox"/> good governance | Y | | | The terms of reference includes the ability to monitor the effective development and operation of the corporate governance framework in the Council and to recommend to the Cabinet or the Council, as appropriate, the actions necessary to ensure compliance with best practice. |
| <input type="checkbox"/> assurance framework, including partnerships and collaboration arrangements | Y | | | The assurance framework forms part of the annual Internal Audit opinion and includes consideration of all assurances sourced from external/ independent sources. |
| <input type="checkbox"/> internal audit | Y | | | Detailed provision in the terms of reference for oversight of internal, external audit and financial reporting (accounts). |
| <input type="checkbox"/> external audit | Y | | | |
| <input type="checkbox"/> financial reporting | Y | | | |
| <input type="checkbox"/> risk management | Y | | | The terms of reference includes the ability to monitor the effectiveness of the authority's risk management |

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| | | | | arrangements, including the actions taken to manage risks and to receive regular reports on risk management. |
| <input type="checkbox"/> value for money or best value | Y | | | This is covered explicitly through the work completed and assurance provided by external audit. Ensuring value for money also forms an inherent part of the Internal Audit approach. |
| <input type="checkbox"/> counter fraud and corruption | Y | | | The ability to monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption and whistle-blowing are included within the terms of reference. |
| <input type="checkbox"/> supporting the ethical framework | Y | | | Matters concerning standards and codes of conduct form an inherent part of the Committee's remit and via its sub-committee. Internal Audit also provide assurance on areas associated with the ethical framework as part of annual Internal Audit Plans. |
| 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? | Y | | | Annual report of the Committee sets out the work undertaken in accordance with the Terms of Reference. Core areas from the CIPFA guidance considered as part of this assessment. |
| 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? | Y | | | The committee has assumed responsibility for some of these areas, including standards. Assurance on treasury management is provided through Internal audit coverage (the Treasury Management Code requires the Council to nominate a Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies - A&G Cttee is the nominated committee). Consideration is also given to governance and risk matters highlighted by other committees such as Overview and Scrutiny. |
| 10 Where coverage of core areas has been found to be limited, are plans in place to address this? | N/A | | | Coverage of core areas is felt to be sufficient. |
| 11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose? | Y | | | The Committee has maintained its oversight / advisory role during the period. |
| Membership and support | | | | |
| 12 Has an effective audit committee structure and composition of the committee been selected? This should include: | | | | |
| <input type="checkbox"/> separation from the executive | Y | | P | See also 16. |
| <input type="checkbox"/> an appropriate mix of knowledge and skills among the membership | | | | |
| <input type="checkbox"/> a size of committee that is not unwieldy | Y | | | |
| <input type="checkbox"/> consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). | | | P | Proposed Action: The Committee could consider appointing independent member/s. |

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| 13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation? | N/A | | See 12 above. |
| 14 Does the chair of the committee have appropriate knowledge and skills? | Y | | Chair has a background and experience which supports his role on the Committee and has undertaken Member training. |
| 15 Are arrangements in place to support the committee with briefings and training? | Y | | <p>Members Audit & Member Standards Committee Training for all members held in September 2019 included a comprehensive overview of all aspects of the remit. A specific treasury management session was held in November 2019.</p> <p>Members were asked to complete a knowledge and skills' self- assessment prior to the Committee. Of the returns received, the following was identified as potential areas to focus training:</p> <ul style="list-style-type: none"> • Governance • Audit Committee - Role and Function • Financial Management & Accounting • Internal / External Audit • Counter Fraud • Treasury <p>In addition a focus on clearer communications, balancing practicality v theory, strategic thinking and understanding of materiality; and a focus on improvement were identified as areas for potential further development.</p> <p>Proposed Action: The Committee is asked to endorse the above areas as a training focus for the next Council year.</p> |
| 16 Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory? | | P | See 15 above. |
| 17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO? | Y | | Good relationships are in place. |
| 18 Is adequate secretariat and administrative support to the committee provided? | Y | | Democratic Services provide support. |
| 19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work? | | P | No formal feedback on performance, however, the Committee does get feedback from external audit. |
| 20 Are meetings effective with a good level of discussion and engagement from all the members? | Y | | Meetings have a good level of discussion and engagement from all members. |
| 21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? | Y | | Senior managers have attended recent Audit Committee meetings to present updates for Members and to be challenged on |

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| | | | specific areas of interest or concern. This practice will continue as appropriate. |
| 22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on? | Y | | Agreed actions and recommendations are followed up at subsequent meetings. |
| 23 Has the committee evaluated whether and how it is adding value to the organisation? | Y | | As part of the annual report and this self-assessment process. |
| 24 Does the committee have an action plan to improve any areas of weakness? | Y | | Actions have been detailed as part of the annual self-assessment process. |
| 25 Does the committee publish an annual report to account for its performance and explain its work? | Y | | The Chair's Annual Report is presented to Full Council. |