

Report

Audit Committee



Part 1

Date: 26th November 2015

Item No: 10

Subject **Audit Committee Self Evaluation Summary**

Purpose To provide Members of the Council's Audit Committee with a summary of the self evaluation exercise and questionnaire responses from June 2015 and to agree an action plan to further improve the way in which the Audit Committee operates.

Author Chief Internal Auditor

Ward General

Summary The attached report provides a summary of Audit Committee Members' responses to the self evaluation questionnaire along with an action plan.

Proposal 1)The report be noted and the action plan agreed by the Council's Audit Committee

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change
-
-
-

Please list here those officers and members you have consulted on this report.

Signed

Background

1. As part of good governance arrangements and feedback from a CIPFA course attended by Members in September 2014, The Effective Audit Committee, Members of the Audit Committee undertook a self evaluation exercise in June 2015 in order to assess the effectiveness of the Audit Committee at that time and to develop an action plan to further improve the way it operated.
2. A self evaluation questionnaire was devised by the Chief Internal Auditor based on expected good practice for Audit Committees (CIPFA) and to ensure that the Council's Audit Committee was meeting its functions in accordance with the Local Government Measure 2011.
3. Although all Audit Committee Members were afforded the opportunity to contribute to this exercise, only 4 responses were received. A summary of the responses of how effective Members felt the Audit Committee is shown at Appendix 1.
4. Areas covered by the self evaluation exercise included:
 - a. Roles and Responsibilities
 - b. Monitoring and Oversight
 - c. Internal Audit Process
 - d. External Audit Process
 - e. Membership
 - f. Meetings
 - g. Skills and Training
5. Overall there was a general positive response to the self evaluation and Members felt appropriate measures were in place to demonstrate they were involved with an effective Audit Committee, although in some areas there was a lack of clarity of what process were actually in place or had been agreed previously. New Members joining the Audit Committee may not always be aware of how it operates and where key requirements have been approved and at what level.
6. There is a need to further develop existing functions to demonstrate continual improvement in the Audit Committee's effectiveness and to refresh Members with key aspects of how it operates on an annual basis to ensure clarity and consistency.
7. The self evaluation exercise should be undertaken annually and all Members of the Audit Committee should contribute to the process. The agreed action plan should be monitored and reviewed as part of this process in order to demonstrate continual improvement and effectiveness of the Council's Audit Committee.

Roles & Responsibilities

8. There was some uncertainty around the Audit Committee's Terms and Reference and where they had been approved and whether they followed the CIPFA model and the requirements of the Local Government Measure 2011. There was also a lack of clarity over what the Audit Committee could review and scrutinise and it needs to further develop feedback on its own performance and effectiveness.

Monitoring & Oversight

9. Members felt that the Audit Committee received adequate and timely information and received appropriate support from Democratic Admin and Internal Audit, although not always from Senior Management. Generally it was agreed that they could invite officers to Audit Committee and

hold them accountable for their actions and ensure recommendations were implemented, and could refer matters to other bodies as appropriate.

10. Although an annual report is not prepared on behalf of the Audit Committee it was felt that the work it undertakes throughout the year feeds into the Annual Governance Statement. Members agreed they were aware of the Seven Principles of Public Life and were committed to the Council's Vision and Values.

Internal Audit

11. Members confirmed that they agreed the Internal Audit plan, received the Chief Internal Auditor's Annual Report, regularly reviewed Internal Audit's work and felt the detail provided by Internal Audit was adequate to meet their own needs. They didn't always receive regular feedback on client perceptions of Internal Audit and not all were clear if they could hold private meetings with the Chief Internal Auditor.

External Audit

12. With regards External Audit, their work was reported into Audit Committee and members felt they had an opportunity to contribute to the external audit programme, although again, not all were clear if they could hold private meetings external auditor.

Membership

13. The responses reflected that Members were aware of the make-up of the Audit Committee, that it needed to be quorate to function and was consistent with the Local Government Measure 2011. They agreed the Chairman was free from Executive functions and had strong leadership skills. However, there was a slight lack of clarity over the independence of Members who were sitting on other scrutiny fora or were Cabinet Members. The majority felt the Audit Committee was politically balanced in accordance with the Local Government (Democracy)(Wales) Act 2013 as it was formed by Council.

Meetings

14. A positive response was received around the regularity of Audit Committee meetings, the timing of the circulation of agenda papers, non-political and openness of discussion which allowed all Members to contribute and that the meetings were public with subsequent records being transparent and readily available.

Skills & Training

15. Although all Members felt that they could request training to help them fulfil their role, the majority were not sure if they all had the necessary knowledge, experience and understanding of the key risks facing the Council. They were unsure if induction training was provided or whether more advanced training was available if required; they weren't sure if their own skills had been assessed against a knowledge and skills framework and found to be satisfactory. However, the majority agreed that they had the appropriate skills to fulfil the role expected of them in specialist areas.

Financial Summary

16. There are no financial issues related to this report.

	Year 1 (Current)	Year 2	Year 3	Ongoing	Notes including budgets heads affected
--	-----------------------------	---------------	---------------	----------------	---

	£	£	£	£	
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

17. N/A

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

18. N/A

Options Available

19. N/A

Preferred Option and Why

20. N/A

Comments of Chief Financial Officer

21. I can confirm that I have been consulted and have no additional comments.

Comments of Monitoring Officer

22. There are no legal implications.

Staffing Implications: Comments of Head of People and Business Change

23. There are no direct Human Resources issues arising from this report.

Comments of Cabinet Member

24. N/A

Local issues

25. N/A

Consultation

26. N/A

Background Papers

27. N/A

Dated:

Audit Committee Self-Assessment Workshop –June 2015

Measuring the Effectiveness of the Audit Committee

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
Roles and Responsibilities						
1	Have the Committee's Terms of Reference been approved by Full Council?	1		3		Clarify where and when the Audit Committee's Terms of Reference were approved and remind Members of the Audit Committee
2	Do the Terms of Reference follow best practice, as set out in the CIPFA model and the Local Government Measure 2011?	1		3		Make Members of the Audit Committee aware of the Terms of Reference, as set out in the CIPFA model and the Local Government Measure 2011
3	Is the Terms of Reference reviewed periodically to ensure it remains fit for purpose?	1	1	2		Review Terms of Reference every two years
4	Does the agenda for meetings and work programme support the role and responsibilities of the Committee?	3		1	It needs to be effective	
5	Does the Committee take a role in reviewing and scrutinising: <ul style="list-style-type: none"> • Annual Governance matters • Risk Management Strategies • Internal Control Statements • Anti-Fraud arrangements • Corporate Policies and Strategies • Financial Affairs and Statements 	2		2	These are important areas of scrutiny which need to be covered.	Clarify the role of Audit Committee and make Members of the Audit Committee aware

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
	<ul style="list-style-type: none"> External & Internal Audit Reports 					
6	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work.		2	2	This is something we are trying to introduce	Continue to obtain feedback of the Audit Committee's performance and effectiveness from those outside the Audit Committee
Monitoring and Oversight						
7	<p>Does the Committee consider that it receives adequate and timely information in relation to:</p> <ul style="list-style-type: none"> Corporate Governance Risk Management Internal Control Treasury Management Financial Affairs and Statements 	3		1		
8	<p>Does the Committee consider that it received appropriate support from:</p> <ul style="list-style-type: none"> Statutory Officers Senior management External Audit Internal Audit Secretariat services 	2		2	Secretariat and IA very good. Not from senior management	Establish what they key issues are in not getting appropriate support from senior managers. Consider raising with SLT for appropriate support.
9	Does the Committee consider it has the opportunity to invite officers and members to attend and be held accountable for their actions?	3		1		

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
10	Has the Committee agreed set criteria when an officer may be invited to attend Committee?	3	1			
11	Does the Committee consider they have the mechanisms to ensure that officers are acting on and monitoring action taken to implement recommendations?	4				
12	Does the Committee consider that they have the opportunity to refer matters on to other bodies (internal & external) as they consider appropriate?	3		1	We have introduced regular meetings with CEO	
13	Does the Committee have appropriate interaction with other Committees e.g. Scrutiny?	2	2			Consider the appropriateness of referring matters to, and interacting with, other scrutiny fora
14	Does the Committee prepare an Annual Report outlining its findings and provide an opinion in relation to its role, which helps to inform the Annual Governance Statement?	1		1	We feed into the AGS	Consider completing an Annual Report on behalf of the Audit Committee
15	Does the Committee undertake an annual Self Assessment of its own effectiveness?	1		3	This questionnaire is the start of this process	Undertake an annual self evaluation process; monitor and review the action plan.
16	Are there arrangements to hold the committee to account for its performance?		2	2		
17	Members of the Committee have	4				

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
	regard to the Seven Principles of Public Life, known as the Nolan Principles: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.					
18	<p>The Audit Committee is committed to the Council's Vision and Values:</p> <p>Vision – To be recognised as a high performing council, ensuring the right services are provided to our communities, our councillors and our staff</p> <p>Corporate Values – Accountable Open United</p>	4				
Internal Audit Process						
19	Does the Committee approve the strategic audit approach and the annual programme?	3		1		
20	Is the work of Internal Audit reviewed regularly?	4				
21	Is the level of detail provided in Audit progress summaries adequate to meet Members' needs?	4				
22	Does the Committee receive regular information on client perceptions of the Internal Audit service and other performance management	1		3		Consider independent assurance from operational officers within the Council on how well the Internal Audit Team is performing.

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
	information?					
23	Is the Annual Report from the Chief Internal Auditor presented to the Committee?	4				
24	Is there the opportunity to hold private meetings with the Chief Internal Auditor?	2		2		Clarify with Members that the Chief Internal Auditor is available to attend private meetings as appropriate
External Audit Process						
25	Are reports on the work of external audit and other inspection agencies presented to the Committee?	4				
26	Does the Committee consider that they have the opportunity to input into the external audit programme?	4				
27	Is there the opportunity to hold private meetings with the External Auditor?	2		2	This would be at the request of Auditors	Clarify with Members that External Audit are available to attend private meetings as appropriate
Membership						
28	Has the membership of the Committee been formally agreed and a quorum set?	3	1			
29	Is the make up of the Committee consistent with the requirements of the Local Government Measure 2011?	4				

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
30	Is the Chair free of Executive or Scrutiny functions?	4				
31	Does the Chair have strong level of leadership skills?	3				
32	Are Members sufficiently independent of the other key Committees of the Council?	3		1	Members sit on other scrutiny fora plus 1 Cabinet Member. Not sure this is consistent with Quis custodiet ipsos custodies?	
33	Is the Committee politically balanced in accordance with the Local Government (Democracy) (Wales) Act 2013?	3		1	Committee is formed by Council	
Meetings						
34	Does the Committee meet regularly?	4				
35	Is the frequency of meetings adequate to support the role and responsibly of the Committee?	3		1		
36	Are agenda papers circulated in advance of meetings to allow adequate preparation by Members?	3	1		Generally this is the case but there are occasions when papers are late. Have problems opening items in PDF on modern.gov emails. System worked better before change	
37	Are meetings free and open without political influences being displayed?	4				

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
38	Are meetings public and records relating to the Committee open, transparent and easily available?	4				
39	Do Members feel they can actively contribute to discussion at meetings and are encouraged to do so?	4				
40	Are decisions reached promptly and recorded?	3		1		
Skills and training						
41	Has the membership of the committee been assessed against a knowledge and skills framework and found to be satisfactory.		1	3	Extra training has been provided. Attendance is sporadic by some, non-existent by others. Some evidence that Members do not read papers.	Ensure commitment by Members nominated to the Audit Committee.
42	Do Committee Members have the knowledge, experience and understanding of the key risks and issues facing the Council?	1		3		Ensure Members are made aware of the key risks faced by the Council and then assess the level of Members' knowledge and experience.
43	Is induction training provided to Members?	1	1	2		Provide induction training to new Members of the Audit Committee. Provide ongoing refresher training
44	Is more advanced training available if required?	2		2		

Issue		Yes	No	Partly / Not sure	Comment	Future Considerations / Proposed Improvement Actions
45	In specialised areas such as treasury management do Members feel they have the appropriate skills to fulfil the role expected of them?	3		1		
46	Do Members feel they can request training if they consider this would help them fulfil their role?	4				