

THE REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE



Contents

CIPFA - Audit Committees – Practical Guidance for Local Authorities and Police 2018	3
CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2018	3
Self Assessment of Good Practice – Evaluation of Effectiveness 2019/20	6
Key Changes to the Practical Guidance for Local Authorities 2018 Edition	7
Key Highlights from the Practical Guidance for Local Authorities 2018 Edition	9
Self-assessment of Good Practice	11
Evaluating the Effectiveness of the Audit and Governance Committee	32
Audit Committee members knowledge and skills framework	41

CIPFA - Audit Committees – Practical Guidance for Local Authorities and Police 2018

The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; “Audit Committees in Local Authorities and Police, 2018 edition”. The guidance represents CIPFA’s view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local Government issued in 2013.

Appendix 1 attached to this report provides the key changes to the guidance and key highlights.

CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2018

Audit committees are a key component of an authority’s governance framework. Their function 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 internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Authorities audit committees should adopt a model that establishes the committee as independent and effective. The committee should:

- Act as the principal non-executive, advisory function supporting those charged with governance.
- In local authorities, be independent of the executive and the scrutiny functions and include an independent member where not already required to do so by legislation.
- Have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups.
- Be directly accountable to the authority’s governing body.

The core functions of an audit committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism;
 - support the effectiveness of the internal audit process; and
 - promote the effective use of internal audit within the assurance framework.
- Consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

An audit committee can also support their authorities by undertaking a wider role in other areas including:

- Considering governance, risk or control matters at the request of other committees or statutory officers.
- Working with local standards and ethics committees to support ethical values.

The Review of the Effectiveness of the Audit and Governance Committee

- Reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017).
- Providing oversight of other public reports, such as the annual report.

Good audit committees are characterised by:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council however, it is important to achieve the right mix of apolitical expertise.
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
- A strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - Promoting apolitical open discussion.
 - Managing meetings to cover all business and encouraging a open approach from all participants.
 - An interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

To discharge its responsibilities effectively the committee should:

- Meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- Be able to meet privately and separately with the external auditor and with the head of internal audit.
- Include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor.

The Review of the Effectiveness of the Audit and Governance Committee

Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required.

- Have the right to call any other officers or agencies of the authority as required.
- Report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Self Assessment of Good Practice – Evaluation of Effectiveness 2019/20

In the guidance, CIPFA provide a suggested self-assessment against recommended practice.

By reviewing the Committee's effectiveness against a good practice self-assessment on an annual basis, the Committee can demonstrate a high degree of performance and evidence that the Committee is soundly based with a knowledgeable membership that is not impaired in any way.

Completion of the self-assessment can also be used to support the planning of the Committee's work programme and training plans and inform the Committee's annual report to Council.

Appendix 2: provides the first draft self assessment and provides a high level review that incorporates the key principles set out in CIPFA's Position Statement.

Appendix 3: evaluates the effectiveness of the audit committee; and

Appendix 4: highlights the outcome of the Audit and Governance Committee's knowledge and skills assessment.

Key Changes to the Practical Guidance for Local Authorities 2018 Edition

Position Statement

- In Local Authorities, the Committee should include an independent member where not already required to do so by legislation. (Page 3)
- When considering risk management arrangements need to consider partnerships and collaborations. (Page 4)
- In monitoring the effectiveness of the control environment, supporting standards and ethics should be included. (Page 4)

Purpose of Audit Committees

Under the areas where the Committee can influence and add value:-

- Raise awareness of the need for sound internal controls. (Page 8).
- Reinforce the objectivity, importance and independence of Internal Audit and External Audit and the effectiveness of the audit functions. (Page 8)

Core Functions of an Audit Committee

- The high level core functions of an audit committee remain unchanged.
- Annual Governance Statement (AGS) – now reference to Accounts and Audit Regulations – approval of AGS by 31st July. (Page 12)
- Internal Audit – reference now made to the Public Sector Internal Audit Standards (PSIAS) including the mission of Internal Audit, Code of Ethics, definition of Internal Auditing and the core principles of an effective Internal Audit. (Page 13)
- Internal Audit – confirm organisational independence of Internal Audit. (Page 14)
- Approve and review safeguards to limit impairments to independence and objectivity. (Page 14)
- Receive communications on performance relative to the Internal Audit plan and other matters. (Page 15)

- Approve any significant additional consulting services (not already included in the Audit Plan). (Page 15)
- Value for money – Where External Audit has issued a qualified conclusion on value for money, the Committee should ensure there is a robust plan to address the issues. (Page 18)
- Counter Fraud and Corruption – reference to revised counter fraud standards. (Page 18)
- External Audit – recognises role the Committee plays in the appointment of External Audit and monitoring the External Audit process. (Page 19)
 - Auditor panel / Public Sector Audit Appointments Limited (PSAA);
 - Opinion on selection and rotation;
 - Ensure independence is maintained;
 - Receive and consider work / reports; and
 - Support quality and effectiveness of the External Audit process.
- External Audit will disclose annually to the Committee an assessment of its independence, usually in the audit plan. (Page 20)
 - Assurance that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA or the auditor panel.
 - Section on potential threats to external independence. (Page 21)
- Financial Reporting – Reporting deadlines for accounts publication is 31st July. (Page 22)
- Partnership Governance and Collaboration Agreements – reference made to collaboration of emergency services and recognising that ensuring adequacy of governance / risk management is more complicated. (Pages 23 & 24)

Possible Wider Functions of an Audit Committee

- No changes in relation to the detail contained in this section.

Key Highlights from the Practical Guidance for Local Authorities 2018 Edition

Independence and Accountability

- 85% councils had audit committees reporting to full Council. (Page 33)
- The number of stand alone committees declined from 58% to 47%. (Page 33)
- Head of Internal Audit free unfettered access to CEO and Chair of Audit Committee. (Page 36)
- Committees are most effective when discussing governance, risk, control issues with responsible managers directly. (Page 37)

Membership and Effectiveness

- Achieve the right mix of apolitical expertise. (Page 39)
- Chair – promoting open discussion, encourage candid approach from all participants and be interested in several disciplines. (Page 39)
- Use of independent members – establish effective working relationships and agree protocols for briefings and access to information. (Page 41)
- Maintain register of interests. (Page 42)

Common Areas of Difficulty for Audit Committees

- For Local Authorities, the top three difficulties for Audit Committees were found to be:-
 - Limited knowledge and experience of members;
 - Committee not seen as a priority by other members; and
 - Intrusion of political interests. (Page 44)

Also – breakdown in the relationship between committee members and the executive or with senior management. (Page 47)

Suggested Terms of Reference

- Internal Audit – to provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee. (Page 61)
- External Audit – To support the independence of external audit through consideration of the external auditor’s annual assessment of its independence and review of any issues raised by PSAA or the authority’s auditor panel as appropriate. (Page 61)
- Accountability Arrangements – To publish an annual report on the work of the committee. (Page 62)

Audit Committee Members – Knowledge and Skills

No changes have been made to the Audit Committee members core areas of knowledge or specialist knowledge that adds value to the audit committee or core skills.

Self Assessment of Good Practice

- Functions of the Committee – Does the Committee’s Terms of Reference address supporting the ethical framework?
- Membership and Support – Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council as appropriate for the organisation? (Page 74)
- Effectiveness of the Committee:-
 - Are meetings effective with a good level of discussion and engagement from all the members?
 - 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?
 - Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?
 - Does the committee publish an annual report to account for its performance and explain its work?

Self-assessment of Good Practice

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
Audit Committee purpose and governance				
1	Does the authority have a dedicated audit committee?	★	Details within the Constitution.  constitution-2018-19-v2.pdf Refer to section 3 - Responsibility for Functions of the Constitution (Audit and Governance Committee Terms of Reference)	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
2	<p>Does the audit committee report directly to full council?</p> <p>(Applicable to local government only).</p>		<p>The Audit and Governance Committee reports directly to full Council as per the Constitution by presenting an annual report providing assurance that the Council’s systems of governance are operating effectively.</p> <p> Annual Report to Council 2018.pdf</p>	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)										
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement?		<p>The Audit and Governance Committee's Terms of Reference is currently in accordance with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2013 edition.</p> <p>This Terms of Reference was approved by.</p> <table border="0" data-bbox="1232 829 1612 1308"> <tr> <td>Committee:</td> <td>Date:</td> </tr> <tr> <td>Audit and Governance Committee</td> <td>19th September 2016</td> </tr> <tr> <td>Constitution Working Group</td> <td>5th October 2016</td> </tr> <tr> <td>General Purposes Committee</td> <td>18th October 2016</td> </tr> <tr> <td>Council</td> <td>24th November 2016</td> </tr> </table> <p style="text-align: center;"> constitution-2018-19-v2.pdf</p>	Committee:	Date:	Audit and Governance Committee	19th September 2016	Constitution Working Group	5th October 2016	General Purposes Committee	18th October 2016	Council	24th November 2016	<p>Action</p> <p>Update Terms of Reference in line with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018.</p>
Committee:	Date:													
Audit and Governance Committee	19th September 2016													
Constitution Working Group	5th October 2016													
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Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
4	Is the role and purpose of the audit committee understood and accepted across the authority?	★	<p>The annual report of the Audit and Governance Committee is presented to full Council. The committee’s terms of reference are included within the Constitution and is accessible to members, officers and the public.</p> <p>All members are informed of changes to the Constitution including any revisions to the committee’s terms of reference.</p>	None
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	★	<p>The Committee review and approve the Council’s Local Code of Corporate Governance and Annual Governance Statement.</p> <p>Also, its Terms of Reference enables the Committee to contribute to good governance.</p>	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
6	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?		The Audit and Governance Committee has carried out the annual self assessment of its effectiveness, the outcome to be provided in its 2018/19 annual report to full Council.	Action The annual report needs to consider the contextual requirements of the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018.

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)										
Functions of the committee														
7	<p>Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?</p> <p>➤ good governance</p>		<p>The Terms of Reference currently reflect the requirements of good practice guidance and legislation i.e. CIPFA’s Position Statement 2013 and the Public Sector Internal Audit Standards 2013.</p> <p>The current Terms of Reference was approved by:</p> <table border="0"> <tr> <td>Committee:</td> <td>Date:</td> </tr> <tr> <td>Audit and Governance Committee</td> <td>19th September 2016</td> </tr> <tr> <td>Constitution Working Group</td> <td>5th October 2016</td> </tr> <tr> <td>General Purposes Committee</td> <td>18th October 2016</td> </tr> <tr> <td>Council</td> <td>24th November 2016</td> </tr> </table>	Committee:	Date:	Audit and Governance Committee	19th September 2016	Constitution Working Group	5th October 2016	General Purposes Committee	18th October 2016	Council	24th November 2016	<p>Action</p> <p>Update Terms of Reference in line with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018.</p>
Committee:	Date:													
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Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
	➤ assurance framework, including partnerships and collaboration arrangements		Whilst this operates in practice. New formal requirement under the 2018 guidance.	Action Update Terms of Reference in line with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018.
	➤ internal audit		Current Terms of Reference address the core functions of Internal Audit.	Action Minor wording amendments to reflect the 2018 guidance are required.
	➤ external audit		Current Terms of Reference address the core functions of External Audit.	Action Minor wording amendments to reflect the 2018 guidance are required.

Good practice questions		Compliant	Comments	Actions for improvement (incl. timescales)
		Y / N / P   		
	➤ financial reporting	★	Current Terms of Reference address the core requirements of Financial Reporting.	Action Minor wording amendments to reflect the 2018 guidance are required.
	➤ risk management	★	Current Terms of Reference address the core principles of Risk Management.	Action Minor wording amendments to reflect the 2018 guidance are required.
	➤ value for money or best value	★	Current Terms of Reference address the core principles of Value for Money.	None
	➤ counter-fraud and corruption	★	Current Terms of Reference address the core principles of counter-fraud and corruption.	Action Minor wording amendments to reflect the 2018 guidance are required.

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
	➤ supporting the ethical framework		Current Terms of Reference address the core requirements of ethical governance.	None
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?		An evaluation is currently being assessed.	Action An annual review to be undertaken with the outcomes reported in the Audit and Governance Committee’s annual report to Council and the Council’s Annual Governance Statement.
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?		The Committee’s current remit includes the ethical governance and treasury management arrangements.	Action Consideration to be given to reviewing a wider role as per CIPFA’s Position Statement.

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	★	Where coverage of core areas has been found to be limited, action plans have been put in place to address the issues identified e.g. the Annual Governance Statement Action Plans. The action plans implementation is overseen by the Audit and Governance Committee and/or relevant scrutiny committee.	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
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?	★	The Committee’s decision making powers are all in line with their Terms of Reference e.g. approving the Annual Statement of Accounts, Annual Governance Statement, Internal Audit Charter, Risk Based Internal Audit plan etc.	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
Membership and support				
12	<p>Has an effective audit committee structure and composition of 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 ➤ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	<p></p> <p></p> <p></p> <p></p> <p></p>	<p>Audit and Governance Committee members are appointed by full Council being drawn down from all parties to reflect the political balance of the Council.</p> <p>No Audit and Governance Committee members are members of the Executive.</p> <p>Audit and Governance Committee members include members with extensive knowledge and skills from a wide range of financial, business and social backgrounds.</p> <p>There are eight members of the Committee including one ex-Officio, meetings are always quorate and are well attended.</p> <p>New requirement under the 2018 guidance.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>Action</p> <p>Consideration to appoint an independent member who is not a councillor or an officer of the Council or the chair to be a member of the opposition party to assist independence.</p>

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full Council as appropriate for the organisation?		New requirement under the 2018 guidance.	Action Consideration to appoint an independent member who is not a councillor or an officer of the Council.

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
14	Does the chair of the Committee have appropriate knowledge and skills?		<p>The Chair of the Audit Committee has represented the area on both the City Council and the County Council for several years now, and is widely-regarded as one of Gloucester's most experienced councillors.</p> <p>He has helped hundreds of local people, who have asked him for his help in their dealings with the local councils. He secured large sums of grant money for the Abbeydale Sports and Community Centre, helping to get the Astroturf project there started, and he followed that through to its successful delivery. He's also served the city as Mayor and Sheriff of Gloucester.</p> <p>The Chair seeks and receives appropriate support and advice as needed.</p> <p>The Chair works with the officers to identify whether any further specialist training that may be of particular benefit to the unique role of the Chair.</p>	Audit and Governance Committee review

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
15	Are arrangements in place to support the Committee with briefings and training?		There is a corporate members training programme and specific training on financial statements, external / internal audit, annual governance statement, risk management, treasury management etc. have been and will continue to be provided as needed.	None
16	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?		The framework is part of the new CIPFA guidance issued in 2018; therefore this assessment is currently being carried out in 2018/19.	Action Assess membership of the Committee against the core knowledge and skills framework, identify gaps and address any improvement areas identified to help inform the Committee’s training programme – please see Appendix 4.

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
17	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	★	<p>External Audit attends all Committee meetings. The Chief Financial Officer, Monitoring Officer and Chief Internal Auditor meet with the Chair prior to every Committee meeting and also attends the Committee meeting.</p> <p>Members have the ability to meet with these officers at any time.</p>	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
18	Is adequate secretariat and administrative support to the Committee provided?	★	Democratic Services have nominated an officer who leads on the support provided to the Committee.	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
Effectiveness of the committee				
19	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	★	<p>The Audit and Governance Committee has designated Senior Management Team members i.e. the Chief Financial Officer (s151) and Monitoring Officer as lead officers.</p> <p>Whilst there is no formal mechanism for feedback on the Committee’s performance there are opportunities for views to be relayed.</p> <p>The annual report to Council also provides opportunities for feedback on performance.</p>	None

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
20	Are meetings effective with a good level of discussion and engagement from all the members?		<p>New requirement under the 2018 guidance.</p> <p>Constructive, robust, challenge and dialogue invoked by members of the Committee.</p>	None
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?		<p>New requirement under the 2018 guidance.</p> <p>Where audit activity records that a limited assurance opinion on control has been provided, the Audit and Governance Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.</p>	<p>Action</p> <p>Consideration is given to amend the terms of reference to have clear rights of access to other committees/functions, for example, scrutiny and service committees, risk management group and other strategic groups.</p>

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	★	<p>New requirement of 2018 guidance.</p> <p>The Audit and Governance Committee are key contributors to the Annual Risk Based Internal Audit Plan and the implementation of the plan is monitored accordingly.</p> <p>The Chief Internal Auditor has the ability to meet with the Chair of the Audit and Governance Committee independently should any key governance issues arise.</p>	None.

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
23	Has the committee evaluated whether and how it is adding value to the organisation?		<p>The work of the Committee is clearly very important and valuable and its function essential but there has been no formal evaluation of how it adds value. However, the annual report to full Council and this self assessment does evaluate whether the Committee is adding value.</p> <p>One current Audit and Governance Committee member is also a member of the Overview and Scrutiny Management Committee which enables two way dialogue between the committees and provides further assurance on effective governance.</p>	<p>Action</p> <p>Future annual reports to Council to include outcome of annual self assessment.</p>

Good practice questions		Compliant Y / N / P 	Comments	Actions for improvement (incl. timescales)
24	Does the committee have an action plan to improve any areas of weakness?		The Committee have a dynamic work plan which reflects need and current and emerging risks and issues.	Action Any improvements identified as part of this assessment will be documented in an action plan.
25	Does the committee publish an annual report to account for its performance and explain its work?		New requirement of the 2018 guidance. A report is currently published.  Annual Report to Council 2018.pdf	Action To include outcome of annual self assessment in annual report.

Evaluating the Effectiveness of the Audit and Governance Committee

Assessment key	
5	Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.
3	The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the Committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
<p>Promoting the principles of good governance and their application to decision making.</p>	<p>NEW: Supporting the development of a local code of corporate governance.</p> <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members / governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews / audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>Annual and ongoing input into the Risk Based Internal Audit Plan.</p> <p>Annual review, challenge and approve of the Annual Governance Statement, Local Code of Corporate Governance and assurance framework.</p> <p>The Committee monitors actions taken to address issues identified in the Annual Governance Statement.</p> <p>Receipt of the Chief Internal Auditor’s annual report on Internal Audit and Risk Management activity.</p>	

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
		<p>Monitoring of internal / external audit work throughout the year.</p> <p>Governance arrangements with respect to partnerships are considered as part of the Annual Governance Statement process.</p>	
<p>Contributing to the development of an effective control environment.</p>	<p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>The Committee receives quarterly updates on all Internal Audit activity and management actions taken to address issues highlighted.</p> <p>Where a limited assurance opinion is provided on the control environment, management are requested to attend Committee to provide updates / assurance that Internal</p>	

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
		<p>Audit recommendations have been implemented.</p> <p>Committee's Terms of Reference enables the above.</p>	
<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p>	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major / strategic risks.</p>	<p>The Committee's role is to be assured that there is an effective framework in place to manage risk. They are provided with an annual report on Risk Management activity which includes the status of the Strategic Risk Register.</p> <p>In addition, Cabinet oversee ongoing actions taken to mitigate strategic risks associated with corporate objectives.</p>	

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p>	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>The Committee is proactive in requesting assurance work and contribution towards the development of the Risk Based Internal Audit Plan.</p> <p>The Committee has received the assurance framework i.e. the three lines of defence risk assurance model, as part of the Annual Governance Statement.</p>	
<p>Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.</p>	<p>Reviewing the audit charter, code of ethics and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</p> <p>Actively supporting the quality assurance and</p>	<p>The Internal Audit Charter (which defines the role, purpose and authority of the internal audit function) was approved by the Committee in November 2016, which requires the Chief Internal Auditor to provide an annual report on Internal Audit</p>	

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
	improvement programme of internal audit.	activity and performance against the Public Sector Internal Audit Standards which took effect from the 1st April 2013 (updated 2016). Quarterly progress reports are also provided.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>NEW Reviewing how the governance arrangements support the achievement of sustainable outcomes.</p> <p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>	The role of Cabinet is to review the effectiveness of the performance management process including major progress and programmes, however the Committee are provided with an overview of these arrangements in the Annual Governance Statement.	

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
		In addition Internal Audit undertake risk based internal auditing providing the relevant assurances (based on risk) on key projects / programmes.	
Supporting the development of robust arrangements for ensuring value for money.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the Audit Committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>An annual report is received from the external auditor on their assessment of the Council's delivery of value for money.</p> <p>Value for money is fully considered and reported on in the Council's Annual Governance Statement.</p>	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p> <p>Reviewing fraud risks and the effectiveness of the</p>	Anti Fraud and Corruption Policy Statement and Strategy 2017 – 2019 (based on the CIPFA standards) presented to Committee in January 2017.	

Areas where the Audit and Governance Committee can add value by supporting improvement	Examples of how the Audit and Governance Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
	<p>organisation’s strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and members.</p>	<p>Annual Governance Statement provides an overview on how fraud risks are managed.</p> <p>Internal Audit provide quarterly updates relating to fraud / irregularity to the Committee.</p>	
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</p>	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> <p>Publishing an annual report from the Committee.</p>	<p>The Committee is open to members of the public to attend. All agendas and minutes of meetings are published.</p> <p>Audit and Governance Committee actively seek to ensure all public reports use plain english and appropriate language. The Committee publish an annual report to Council.</p>	

Audit Committee members knowledge and skills framework

Scores: 1. Improvement Required 2. Acceptable 3. Good 4. Excellent

Core areas of knowledge	Details of core knowledge required	How the Audit and Governance Committee member is able to apply the knowledge	Score 1 - 4
Organisational knowledge	<p>An overview of the governance structures of the authority and decision-making processes.</p> <p>Knowledge of the organisational objectives and major functions of the authority.</p>	<p>This knowledge of the Council’s Constitution and the Committee’s Terms of Reference within, is core to the activities of the Audit and Governance Committee which includes the review and challenge of the Annual Statement of Accounts, Annual Governance Statement, internal and external audit reports, treasury management and risk management reports.</p>	
Audit and Governance Committee role and functions	<p>An understanding of the Audit and Governance Committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements.</p> <p>Knowledge of the purpose and role of the Audit and Governance Committee.</p>	<p>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</p>	
Governance	<p>Knowledge of the seven principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS).</p> <p>Knowledge of the local code of corporate governance (LCCG).</p>	<p>The Committee reviews, considers, challenges and approves the Annual Governance Statement and Local Code of Corporate Governance annually, which provides the assurance that the seven principles of the CIPFA guide are being met. The Committee also receives progress updates on actions taken to address the improvement areas identified as part of the annual review.</p>	

Core areas of knowledge	Details of core knowledge required	How the Audit and Governance Committee member is able to apply the knowledge	Score 1 - 4
Internal Audit	<p>An awareness of the key principles of the Public Sector Internal Audit Standards (PSIAS) and the <i>Local Government Application Note</i>.</p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.</p>	<p>The Audit and Governance Committee has approved the Internal Audit Charter and Code of Ethics which conforms to the PSIAS.</p> <p>The Committee receives awareness briefings and training regarding the role of internal audit as required.</p> <p>The Committee reviews the assurances from internal audit work and contributes and approves the annual risk-based audit plan. The Committee also receives the Chief Internal Auditor’s annual report, including the opinion on the control environment and information on conformance with professional standards.</p> <p>The Committee was provided with the outcome of the external review of the effectiveness of the Internal Audit function (100% conformance) that was undertaken in May 2015. The next external assessment is due in 2020.</p>	
Financial Management and Accounting	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the Chief Financial Officer (CFO), as required by the <i>CIPFA</i></p>	<p>The Committee:</p> <ul style="list-style-type: none"> ➤ reviews and challenges the financial statements prior to publication. ➤ receives and challenges the external audit report and opinion on the financial audit. ➤ reviews and challenges both external and internal audit reports relating to financial management and controls. 	

Core areas of knowledge	Details of core knowledge required	How the Audit and Governance Committee member is able to apply the knowledge	Score 1 - 4
	<p><i>Statement on the Role of the Chief Financial Officer in Local Government (CIPFA 2016)</i></p>	<ul style="list-style-type: none"> ➤ Receives relevant financial training as required. <p>The role of the CFO is included within the Annual Governance Statement which is approved by the Committee.</p>	
External Audit	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide.</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The Committee:</p> <ul style="list-style-type: none"> ➤ receives and challenges the external audit reports and opinions. ➤ Monitors the relationship with internal audit to ensure co-ordination/avoid duplication. <p>Receives awareness briefings and training sessions from the external auditor as required.</p>	
Risk Management	<p>Understanding of the principles of risk management, including linkage to good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation.</p> <p>Understanding of risk governance arrangements, including the role of members and the Audit and Governance Committee.</p>	<p>In reviewing the Annual Governance Statement and the Annual report on Risk Management Activity, the Committee considers the robustness of the authority’s risk management arrangements and should also have awareness of the major risks the authority faces.</p> <p>The Committee input to and reviews the corporate Risk Management Policy Statement and Strategy.</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of committee agenda items, including the risk-based internal audit plan, external audit plans, and the explanatory foreword of the accounts.</p>	

Core areas of knowledge	Details of core knowledge required	How the Audit and Governance Committee member is able to apply the knowledge	Score 1 - 4
		<p>Risk registers are used to inform these plans.</p> <p>The Committee receives awareness briefings and training regarding the risk management arrangements as required.</p>	
Counter-fraud	<p>An understanding of the main areas of fraud and corruption risk to which the organisation is exposed.</p> <p>Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p> <p>Knowledge of the organisation’s arrangements for tackling fraud.</p>	<p>The Committee reviews the authority’s Anti Fraud and Corruption Policy Statement and Strategy and receives quarterly progress reports on fraud and irregularity work undertaken by internal audit.</p> <p>An assessment of arrangements for managing the risk of fraud is documented within the Annual Governance Statement which is approved by the Committee.</p>	
Values of Good Governance	<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority’s key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p>	<p>The Committee members draw on this knowledge when reviewing governance issues and the Annual Governance Statement.</p> <p>Oversight of the effectiveness of whistleblowing is part of the committee’s terms of reference.</p> <p>The Committee members are aware to whom concerns should be reported i.e the Monitoring Officer and/or the Chief Internal Auditor.</p>	

Core areas of knowledge	Details of core knowledge required	How the Audit and Governance Committee member is able to apply the knowledge	Score 1 - 4
Treasury Management (only if it is within the terms of reference of the committee to provide scrutiny)	<p><i>Effective Scrutiny of Treasury Management</i> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation’s treasury management strategy the organisation’s policies and procedures in relation to treasury management. 	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p> <p>The Committee receives awareness briefings and training regarding the treasury management arrangements as required.</p>	