



## **Effectiveness of Audit Committees – Self-Assessment**

### **SUMMARY**

- 1.1 This report provides the outcome of the self-assessment of the effectiveness of the Audit and Accounts Committee.

### **RECOMMENDATION**

- 2.1 To review the self-assessment.

### **REASONS FOR RECOMMENDATION**

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

### **SUPPORTING INFORMATION**

- 4.1 At the committee's meeting on March 2014, a panel of 3 members was chosen to review the Committee's effectiveness using the Chartered Institute of Public Finance & Accountancy (CIPFA) self-assessment checklist.
- 4.2 The Chair, Vice-Chair and Liberal Democrat Committee member met on 13 August 2014 to complete the checklist. The Head of Governance and Assurance was also present.
- 4.3 The Panel's initial assessments are attached at Appendix 2.
- 4.4. Once the committee has agreed the self-assessment findings, an action plan will be drawn up by the Panel and brought to the November meeting for consideration.

## OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

<b>Legal officer</b>	n/a
<b>Financial officer</b>	n/a
<b>Human Resources officer</b>	n/a
<b>Estates/Property officer</b>	n/a
<b>Service Director(s)</b>	n/a
<b>Other(s)</b>	n/a

<b>For more information contact:</b>	Richard Boneham, Head of Governance & Assurance 01332 643280 richard.boneham@derby.gov.uk
<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Completed self-assessment checklist

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

1.1 None directly arising

**Legal**

2.1 None directly arising

**Personnel**

3.1 None directly arising

**IT**

4.1 None directly arising

**Equalities Impact**

5.1 None directly arising

**Health and Safety**

6.1 None directly arising

**Environmental Sustainability**

7.1 None directly arising

**Property and Asset Management**

8.1 None directly arising

**Risk Management**

9.1 An effective Audit Committee is essential to achieving good governance in the organisation.

**Corporate objectives and priorities for change**

10.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

**Self-assessment of Good Practice and Effectiveness**

Good practice questions	Yes	Partly	No	Comments
<b>Audit committee purpose and governance</b>				
1 Does the authority have a dedicated audit committee?	✓			
2 Does the audit committee report directly to full council?		✓		Only minutes – needs annual report
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			
4 Is the role and purpose of the audit committee understood and accepted across the authority?		✓		More embedded now than previously.
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		Only by External audit
<b>Functions of the committee</b>				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> <li>• Good governance</li> <li>• Assurance framework</li> <li>• Internal audit</li> <li>• External audit</li> <li>• Financial reporting</li> <li>• Risk management</li> <li>• Value for money</li> <li>• Counter-fraud and corruption</li> </ul>	✓			
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?			✓	This will be introduced as part of the annual report of the audit and accounts committee.
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?	✓			
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			
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?	✓			
<b>Membership and support</b>				

12 Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> <li>• Separation from the executive</li> <li>• An appropriate mix of knowledge and skills among the membership</li> <li>• A size of committee that is not unwieldy</li> <li>• Where independent members are used, that they have been appointed using an appropriate process.</li> </ul>	✓ ✓ ✓		N/A	
13 Does the chair of the committee have appropriate knowledge and skills?	✓			
14 Are arrangements in place to support the committee with briefings and training?	✓			
15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		Not fully implemented at date of self-assessment.
16 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			
17 Is adequate secretariat and administrative support to the committee provided?	✓			
18 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			✓	Only formal feedback is through the External auditor.
19 Has the committee evaluated whether and how it is adding value to the organisation?	✓			
20 Does the committee have an action plan to improve any areas of weakness?		✓		The action plan will be driven by the findings of this self-assessment.

## Evaluating the effectiveness of the audit committee

### 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 committee can	Examples of how the audit committee can add value	Self-evaluation	Overall assessment;
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<b>add value by supporting improvement</b>	<b>and provide evidence of effectiveness</b>	<b>examples – areas of strength and weakness</b>	<b>5 – 1 (see key above)</b>
Promoting the principles of good governance and their application to decision making	Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members/ governors to improve their understanding of the AGS and their contribution to it. Supporting review/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	Improvements required to the Council's risk management processes and the Audit and Accounts Committee's role in monitoring this.	<b>3</b>
Contributing to the development of an effective control environment	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Getting people to listen to the Committee's concerns and acting upon them appropriately.	<b>3</b>
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking. Monitoring improvements. Holding risk owners to account for major / strategic risks.	Chair of A&A needs to go to COG on a quarterly basis to put forward any concerns the Committee have.	<b>3</b>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeing to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.	Need more robust risk analysis. A & A need to seek to sign post this. Needs to be taken seriously by the Executive.	<b>2 to 3</b>
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	This seems to be operating satisfactorily.	<b>4</b>
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	This needs to be done on a more consistent basis.	<b>3</b>

Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Insufficient information is being provided to Committee. Not asked to comment on specific issues.  Waivers continue to raise issues, but the numbers are not reducing.	<b>2</b>
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangement against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2) Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	Committee are appraised of issues on a regular basis.	<b>3</b>
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.	Done to the best of the Committee's ability.	<b>4</b>