

Meeting of:	<b>Audit Committee</b>
Date of Meeting:	<b>Monday, 01 March 2021</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Effectiveness of the Audit Committee - Self Assessment
Purpose of Report:	To summarise for members of the Audit Committee the findings of the Self-Assessment of Good Practice from the Chartered Institute of Public Finance & Accountancy (CIPFA) Audit Committees Practical Guidance 2018.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p><b>Executive Summary:</b></p> <ul style="list-style-type: none"> <li>• The effectiveness of the Audit Committee has been reviewed in line with the Chartered Institute of Public Finance (CIPFA) self-assessment of good practice.</li> <li>• The overall effectiveness was found to be good with a few areas having recommendations for improvement.</li> <li>• A skills and knowledge self-assessment questionnaire has been developed for members of the Audit Committee to consider</li> </ul>	

## **Recommendations**

1. Members of the Committee consider the findings in the checklist and the recommendations made.
2. Members of the Committee agree to complete the skills self- assessment questionnaire.

## **Reason for Recommendations**

1. To keep Audit Committee up to date and informed.

## **1. Background**

- 1.1 CIPFA Audit Committee Practical Guidance for Local Authorities and Police 2018 Edition states as part of its Position Statement that '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 scope of this Position Statement includes all principal local authorities in the UK.
- 1.2 Internal Audit has reviewed the effectiveness of this Audit Committee in line with the Self-Assessment of Good Practice included in CIPFA guidance. This provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement.

## **2. Key Issues for Consideration**

- 2.1 The completed checklist and its findings are attached at Appendix A to this report. The checklist indicates that the overall effectiveness of the Audit Committee is good with a few areas identified where improvements can be made.
- 2.2 The identified areas for consideration are:
  - The production of an Annual Report on the work of the Committee including obtaining feedback on its performance.
  - Consideration should be given to consolidating the Terms of Reference, Purpose and Role of the Audit Committee in one section of the Constitution.
  - The Terms of Reference for the Committee will need to be updated to reflect the forthcoming changes in legislation set out in the Local Government & Elections (Wales) Bill in line with the specified timings.
  - A training needs assessment of Members should be undertaken.
  - The Committee evaluates whether and how it is adding value and action plan is put in place to improve any weaknesses.

- 2.3 Recommendations for the areas identified where improvements can be made are listed in Appendix B.
- 2.4 The members skills and knowledge questionnaire is attached at Appendix C for consideration.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1 The Audit Committee provide a source of assurance regarding the arrangements for managing risk and maintaining an effective control environment which will assist in how service areas undertake the five ways of working and how they deliver the well - being objectives.

### **4. Resources and Legal Considerations**

#### **Financial**

- 4.1 No financial implications.

#### **Employment**

- 4.2 No employment considerations.

#### **Legal (Including Equalities)**

- 4.3 The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

### **5. Background Papers**

None

**Audit Committee Effectiveness Checklist**  
 (based on Appendix D Self-Assessment of Good Practice from CIPFA Audit Committees Practical Guidance 2018)

**Completed by:** Filippa Daniels    **Date:** Jan 2021

		Yes	No	Partly	Comment
<i>Purpose &amp; Governance</i>					
1	Does the authority have a dedicated audit committee?	✓			VOG has the Audit Committee in place.
2	Does the audit committee report directly to full council? (applicable to local government only)	✓			<p>The Chair and Members of Audit Committee are accountable to Full Council (Section 24.14 of the Constitution). The Terms of Reference (section 13.16) in the Council's Constitution states the Audit Committee can make recommendations to Cabinet and/or Council as appropriate.</p> <p>Audit Committee meetings are sometimes referred to in discussions (i.e. Climate change on 29/7/19, the 3/9/19 Audit Committee alluded to in the 9/9/19 Council meeting regarding Statement of Accounts and the Council meeting of 26/2/20 referred to Audit Committee being presented figures during discussion of Revenue Budget).</p>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			The terms of reference and purpose of the Audit Committee is referred to in Sections 13.16, 24.13 and 24.14 of the Councils Constitution.

				<p>Also , under Robust Internal Control in 22.5.6.1.it says,</p> <p><i>“An audit committee, which is independent of the executive and accountable to the governing body, provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment”</i></p> <p>Consideration should be given to consolidating the Terms of Reference, Purpose and Role of the Audit Committee in one section of the Constitution.</p> <p>In addition, the changed role and title of the Committee will need to be updated in the Constitution to reflect the changes in legislation as a result of Welsh Governments Local Government &amp; Elections (Wales) Act once the timings of different provisions coming into force are confirmed.</p>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	✓		The Council Constitution in 24.13 and 24.14 states the Role, Purpose and Activity of the Chairperson and Members. The Council’s Constitution applies to all staff and Members and is available on the Staffnet.
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		The Council’s Constitution states in section 24.14.2 reviewing and assessing corporate governance arrangements as a function of the Audit Committee Chairperson & Members. The Audit Committee recommended the draft Annual Governance Statement 2019-20 be adopted on 29/07/20. Audit Committee also has a Forward Work Programme in place which keeps them updated on their functions.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓		All meeting agendas and minutes are available for all on the Council’s website allowing for transparency.

Functions				
7	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> good governance</li> <li><input type="checkbox"/> assurance framework, including partnerships and collaboration arrangements</li> <li><input type="checkbox"/> internal audit</li> <li><input type="checkbox"/> external audit</li> <li><input type="checkbox"/> financial reporting</li> <li><input type="checkbox"/> risk management</li> <li><input type="checkbox"/> value for money or best value</li> <li><input type="checkbox"/> counter fraud and corruption</li> <li><input type="checkbox"/> supporting the ethical framework</li> </ul>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>Terms of Reference is in Council Constitution.</p> <p>Assurance framework and collaboration arrangements not covered.</p>
8	<p>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?</p>	<p>✓</p>		<p>Core areas evaluated Jan 2021 and will be annually as part of this self-assessment:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>good governance</i> – Yes. Annual Governance Statement and governance forms part of some audits.</li> <li><input type="checkbox"/> <i>assurance framework, including partnerships and collaboration arrangements</i> - <b>Not in Terms of Reference.</b></li> <li><input type="checkbox"/> <i>internal audit</i> – Yes, reports received and representatives from Internal Audit attend meetings to allow challenge.</li> <li><input type="checkbox"/> <i>external audit</i> - Yes, reports received and representatives from External Audit attend meetings to allow challenge.</li> <li><input type="checkbox"/> <i>financial reporting</i> – Yes, Statement of Accounts presented 24/9/20</li> <li><input type="checkbox"/> <i>risk management</i> – Yes Corporate Risk Assessments presented 24/9/20.</li> <li><input type="checkbox"/> <i>value for money or best value</i> – Yes, within audits.</li> <li><input type="checkbox"/> <i>counter fraud and corruption</i> – Yes, Corporate Fraud Update presented on 16/12/19</li> <li><input type="checkbox"/> <i>supporting the ethical framework</i> - <b>Ethics covered in</b></li> </ul>

					various audits and covered by Standards 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?	✓			The Committee considers the wider areas identified in CIPFA's Position Statement of Treasury Management monitoring with updates on Treasury Management & Investment Strategy reports presented.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			✓	The terms of reference does not explicitly cover partnerships and collaboration arrangements or supporting the ethical framework but these areas are looked at during different audits.
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?	✓			Committee does not have any decision-making powers.
<i>Membership and Support</i>					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <input type="checkbox"/> separation from the executive <input type="checkbox"/> an appropriate mix of knowledge and skills among the membership <input type="checkbox"/> a size of committee that is not unwieldy <input type="checkbox"/> consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	✓ ✓ ✓ ✓			Council's Constitution clearly states in schedule 6 of the Constitution that the Audit Committee is 7 members plus 1 lay member. This is the current membership.
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	✓			Lay Member Mr Lewis reappointed 16/3/17 at Senior Management Appointment Committee. Reappointment was transparent.
14	Does the chair of the committee have appropriate knowledge and skills?	✓			Democratic Services confirmed that Chair has had following appropriate training: - Introduction to Finance 10/07/17 - Introduction to the Audit Committee 26/7/17 - Audit Corporate Risk Management Workshop 23/1/18 - Statement of Accounts Briefing 24/7/18 & 1/7/19 - Treasury Management 27/2/19 & 3/2/20

					Chair has also taken part in a Scrutiny Committee Chairing Skills session facilitated by the Welsh Local Government Association as part of the 2017 Member Induction & Development program.
15	Are arrangements in place to support the committee with briefings and training?	✓			<p>Democratic Services confirmed that other members of the Audit Committee have attended a range of training.</p> <p>Of the 7 other members of the Audit Committee (excl the Chair):</p> <ul style="list-style-type: none"> <li>- 6 have attended Introduction to Finance.</li> <li>- 5 (incl lay member) have attended Introduction to Audit Committee.</li> <li>- 4 (incl lay member) have attended Audit Corporate Risk Management workshop.</li> <li>- 6 (incl lay member) have attended Statement of Accounts Briefing</li> <li>- 6 (incl lay member) have attended Treasury Management.</li> </ul> <p>All 7 have attended a combination of the above.</p>
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		<b>Questionnaire developed to assess needs/gaps but not yet issued.</b>
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	✓			Yes External and Internal Audit and CFO representatives present at meetings and items are discussed and challenged.
18	Is adequate secretariat and administrative support to the committee provided?	✓			Support is provided by Democratic Services who send out agendas and compile minutes.
<i>Effectiveness of the committee</i>					
19	Has the committee obtained feedback on its performance from those interacting with the		✓		<b>CIPFA Audit Committee Guidance 2018 states "Seeking feedback on the operation of the committee may be helpful to</b>



	committee or relying on its work?				<i>supplement a self-assessment. Those interacting regularly with the Committee or relying on its output would be the principal sources of feedback.”</i> The results of any feedback could be included in an Audit Committee Annual report.
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓			Meeting minutes from 24/09/20 show Members engaging on various agenda items.
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?	✓			Committee engages with wide range leaders and managers. A range of Officers attend to present varying reports such as Complaints and Compliments, Waste Management, Safeguarding, Risk Management as well as Internal & External Audit reports and reports from Finance etc.
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			Members challenge Officers and request additional information and approve recommendations. Audit Committee meeting minutes demonstrate this.
23	Has the committee evaluated whether and how it is adding value to the organisation?		✓		<i>Not done formally. No annual report compiled by the Committee.</i>
24	Does the committee have an action plan to improve any areas of weakness?		✓		<i>An action plan will be developed once feedback has been received from the Committee.</i>
25	Does the committee publish an annual report to account for its performance and explain its work?		✓		<i>No annual report compiled by the Committee.</i>

*Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results.*

*The criticality of each recommendation is as follows:*

*Fundamental: Action that is considered imperative to ensure that the organisation is not exposed to high risks*

*Significant: Action that is considered necessary to avoid exposure to significant risks*

*Merits Attention: Action that is considered desirable and should result in enhanced control*

## Implementation Plan

Re c no.	Recommendation	Criticality	Ref.	Agreed (Y/N)	Comments	Job Title of Officer Responsible	Date to be implemented
1.	Consideration should be given to consolidating the Purpose and Role of the Audit Committee in one section of the Constitution and making some elements of the role more explicit.	Merits Attention	3, 7, 8				
2.	The Council's Constitution will need to be updated to reflect the forthcoming changes in legislation set out in the Local Government & Elections (Wales) Bill in line with the specified timings.	Merits Attention	3				
3.	The Committee members are assessed against the core knowledge and skills framework and any necessary training provided.	Merits Attention	16				
4.	The Committee seek feedback from those interacting with it or relying on its work.	Merits Attention	19				

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5.	The Committee evaluates whether and how it is adding value and an action plan is put in place to improve any weaknesses.	Merits Attention	23, 24				
6.	The Audit Committee produces an Annual Report that is presented to Full Council.	Merits Attention	25				

## Audit Committee: Members knowledge & skills

*Knowledge and Skills Framework - Self Assessment*

Please place an X in **ONE** of the columns shaded blue, for each of the numbered statements 1 to 8 below.

**Name of Committee Member:**

	Statement	I have reasonable knowledge and experience of this	I have limited knowledge and experience of this	I have no knowledge or experience of this	Any Comments
	<b>Organisational Knowledge</b>				
1.	Knowledge of the governance structure of the authority (including the Annual Governance Statement), decision-making processes, the Council's objectives and its major functions and how the Council works.				
	<b>Audit Committee Role and Functions:</b>				
2.	An understanding of the Audit Committee's role and place within the governance structures, its terms of reference and accountability arrangements.				
	<b>Internal Audit:</b>				
3.	An understanding of the purpose of the Council's Internal Audit Service and its responsibilities to the Audit Committee.				

	<b>Statement</b>	<b>I have reasonable knowledge and experience of this</b>	<b>I have limited knowledge and experience of this</b>	<b>I have no knowledge or experience of this</b>	<b>Any Comments</b>
	<b>Financial Management and Accounting</b>				
4.	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them, and the role the Audit Committee plays in reviewing the Council's draft financial statements.				
	<b>External Audit:</b>				
5.	Knowledge of the role and functions of the external auditor and the responsibility it has to the Council's Audit Committee.				
	<b>Risk Management:</b>				
6.	Understanding of the risk management arrangements in place within the Council and the role of Audit Committee in overseeing these arrangements.				
	<b>Counter Fraud:</b>				
7.	An understanding of the main areas of fraud and corruption risk to which the Council is exposed, knowledge of the Council's arrangements for tackling fraud and awareness of good fraud risk management practice.				
	<b>Values of Good Governance:</b>				
8.	Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (including knowledge of the 7 principles of public life) and knowledge of whistle-blowing arrangements within the Council.				

Any other areas of support / advice that you consider would help you in discharging your role as a Member of the Council's Audit Committee?

Which knowledge areas below (tick any/all as appropriate) do you have experience in that will add value to the work of the Audit Committee?

Accountancy	<input type="checkbox"/>	Service and organisational knowledge relevant to the functions of the organisation	<input type="checkbox"/>
Internal Audit	<input type="checkbox"/>	Programme and project management	<input type="checkbox"/>
Risk Management	<input type="checkbox"/>	IT Systems and IT Governance	<input type="checkbox"/>
Governance and Legal	<input type="checkbox"/>	Other (please specify)	<input type="checkbox"/>