



Audit Committee

21 September 2015

Report title	Audit Committee – Self Assessment of Good Practice and Effectiveness	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Committee is asked to:

1. Complete the self-assessment of good practice and effectiveness exercise and return it before the next Audit Committee.

1.0 Purpose

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities, recommend that an Audit Committee should carry out a regular review of its performance and effectiveness, alongside a number of other self-assessment activities. As the first stage of such an exercise, the committee are asked to complete a self-assessment of good practice checklist, based on the model provided by CIPFA.

2.0 Background

- 2.1 This self-assessment exercise forms part of a three stage review, which in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities, includes the following activities:

Self-assessment exercise

Members of the committee were asked to complete the self-assessment exercise at the Audit Committee meeting on 9 March. However, since that time, there have been changes to the membership of the committee and therefore, it would be beneficial to revisit and re-perform the exercise.

Members of the committee are asked to complete the self-assessment and return it to peter.farrow@wolverhampton.gov.uk by 21 October 2015. The results will then be summarised and reported back to the next Audit Committee meeting.

Members knowledge and skills framework

The next stage will then involve members completing a knowledge and skills framework exercise, which will be distributed at the next meeting.

Evaluating the effectiveness

Once the above framework exercise has been completed, a more detailed "evaluating the effectiveness of the committee" exercise will be undertaken at a later meeting.

3.0 Progress, options, discussion, etc.

- 3.1 This exercise will take place in three stages. Following each stage, the results will be summarised and presented at the next meeting. The results will also help drive a more structured future training programme.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report. (GE/24082015/S)

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report. (RB/24082015/U)

6.0 Equalities implications

6.1 There are no equalities implications arising from the recommendations in this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from the recommendations in this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from the recommendations in this report

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations in this report.

10.0 Schedule of background papers – Audit Committee: Self-Assessment of Good Practice

Audit Committee: Self-Assessment of Good Practice

Good practice questions	Yes	Partly	No
Audit committee purpose and governance			
Does the authority have a dedicated audit committee?			
Does the audit committee report directly to full council?			
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement (see below)?			
Is the role and purpose of the audit committee understood and accepted across the authority?			
Does the audit committee provide support to the authority in meeting the requirements of good governance?			
Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
Functions of the committee			
<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"> • Good governance • Assurance framework • Internal audit • External audit • Financial reporting • Risk management • Value for money • Counter-fraud and corruption 			
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?			
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?			
Where coverage of core areas has been found to be limited, are plans in place to address this?			
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?			

Membership and support			
Has an effective audit committee structure and composition of the committee been selected? This should include: <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 • Where independent members are used, that they have been appointed using an appropriate process. 			
Does the chair of the committee have appropriate knowledge and skills?			
Are arrangements in place to support the committee with briefings and training?			
Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?			
Is adequate secretariat and administrative support to the committee provided?			
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
Has the committee evaluated whether and how it is adding value to the organisation?			
Does the committee have an action plan to improve any areas of weakness?			

Note: if you are unsure of how to answer any particular question, then please leave that line blank.

CIPFA's Position Statement: Audit Committees in Local Authorities

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 annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

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. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money 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.

Audit committees 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 committees to support ethical values and reviewing the arrangements to achieve those values.

- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- Providing oversight of other public reports, such as the annual report.

Although no single model of audit committee is prescribed, all should:

- Act as the principal non-executive, advisory function supporting those charged with governance.
- In local authorities, be independent of both the executive and the scrutiny functions;
- Have clear rights of access to other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups.
- Be properly accountable to the authority's board or equivalent bodies
- 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 chief financial officer(s) or appropriate senior and qualified substitute, the chief executive, the head of internal audit and the appointed external auditor. 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. The committee should have the right to call any other officers or agencies of the authority as required.
- Report regularly on their work, and at least annually report an assessment of their performance.

Good audit committees are characterised by:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.
- 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.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.