

## Audit and Performance Committee

## CIPFA Toolkit – Audit Committee Effectiveness – Self Assessment (April 2019)

	Priority	Met?	Supporting information
<b>A. ESTABLISHMENT, OPERATION AND DUTIES</b>			
<b>i) Role and remit</b>			
Does the audit committee have written terms of reference?	1	Y	Published in the Council Constitution which last updated August 2018.
Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	1	Y	Published in the Council Constitution which last updated August 2018. The terms of reference cover the core functions of an audit committee.
Are the terms of reference approved by the council and reviewed periodically?	1	Y	Last reviewed as part of the review of the Constitution which was approved by the Council in August 2018.
Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	1	Y	Mix of expertise on the Committee, with experienced Members sitting on the Committee.  <i>Recommendation: That the Committee consider the merits of including to a provision to co-opt independent member to the Committee e.g. for specific topics/areas of expertise.</i>
Can the audit committee access other committees and full council as necessary?	1	Y	Chair is independent of the Executive but has access to other committees and full Council as necessary.
Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	1	Y	Covered in the Annual Governance Statement for 2017/18 reported to the Committee on 28 April 2018.
Does the audit committee periodically assess its own effectiveness?	2	Y	This assessment demonstrates that a review has been undertaken.
Does the audit committee make a formal annual report on its work and performance during the year to full council?	2	N	<i>Recommendation: That the Committee consider providing an annual report to Council on its work and performance during the year, and that the Committee recommend a similar provision be made for the Pension Fund Committee, Standards Committee and Scrutiny Commission.</i>
<b>ii) Membership, induction and training</b>			
Has the membership of the audit committee been formally agreed and a quorum set?	1	Y	Set in Terms of Reference and quorum defined as 3 Members in the Constitution.
Is the chair independent of the executive function?	1	Y	The Chair cannot be a Cabinet Member, as set out in the Terms of Reference.
Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	1	Y	Briefings on Finance, Audit, Fraud, Risk and Pensions provided in 2018 for new committee members.
Are new audit committee members provided with an appropriate induction?	1	Y	Briefings on Finance, Audit, Fraud, Risk and Pensions provided in 2018 for new committee members.

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Have all members' skills and experiences been assessed and training given for identified gaps?	1	Y	Members of the Committee have a range of skills/experience which are relevant to the Audit Committee's role,  <i><u>Recommendation:</u> To enhance existing knowledge and expertise, the Committee are asked to consider using the CIPFA Knowledge and Skills Framework for Audit Committees self-assessment (see Appendix 2) to identify any topics for future briefings which would assist the work of the Committee.</i>
Has each member declared his or her business interests?	1	Y	Declarations are made annually by elected Members and at the beginning of each meeting of the committee by all Members.
Are members sufficiently independent of the other key committees of the council?	2	Y	One Member of the Committee is a Deputy Cabinet Member (for Finance Property and Regeneration) and this is declared at the beginning of each meeting.
<b>iii) Meetings</b>			
Does the audit committee meet regularly?	1	Y	The Committee met 6 times in the past year: 5 Feb 2019, 18 Sep 2018, 14 Nov 2018, 16 Jul 2018, 21 Jun 2018, 23 Apr 2018
Do the terms of reference set out the frequency of meetings?	1	N	The Terms of Reference does not include this but the Committee typically meets 6 times per year.
Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	1	Y	Meetings are scheduled to consider the annual accounts, external auditors report and key reports from officers during the year
Are members attending meetings on a regular basis and if not, is appropriate action taken?	1	Y	Members attend regularly and substitutes are identified to attend when required
Are meetings free and open without political influences being displayed?	1	Y	
Does the authority's S151 officer or deputy attend all meetings?	1	Y	The s151 officer and deputy s151 officer attend each meeting of the Committee.
Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	1	Y	During the past year the Chief Executive, Executive Management Team and directors/senior officers have attended the Committee.
<b>B. INTERNAL CONTROL</b>			
Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	1	Y	This is covered in the Head of Internal Audit's Annual Report and in the preparation of the Annual Governance Statement. The Committee will receive a report on the review of effectiveness of Internal Audit (in the form of a self-assessment against the Public Sector Internal Audit Standards) at its meeting on 2 May 2019.
Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?	1	Y	The Committee considers a report on the Annual Governance Statement at the same meeting when it considers the Council's Annual Accounts.
Does the audit committee consider how meaningful the SIC is?	1	Y	The Committee considers the Annual Governance Statement along with the Council's Annual Accounts.

	Priority	Met?	Supporting information
Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	1	Y	The Committee receives regular reports on the work of Internal Audit and the Head of Internal Audit's Annual Report on the Council's control environment.
Has the audit committee considered how it integrates with other committees that may have responsibility for risk management	1	Y	The Committee receives quarterly reports which combine finance, performance and risk across all directorates and challenges directors on specific issues which arise from the reports.
Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	1	Y	The Committee approves the fraud and corruption strategy and policies which take account of "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption".
Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	1	Y	The Committee receives 6 monthly reports on the work of the Corporate Anti-fraud Team which provides assurance that the fraud and corruption strategy and policies are applied effectively.
Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	2	Y	The Internal Audit Plan for 2019/20 was presented to the Committee 5 Feb 2019.
Does the audit committee review the authority's strategic risk register at least annually?	2	Y	The Performance report for Q3 2018/19 presented to the Committee on 5 Feb 2019 and contained the strategic risk register developed by the Executive Management Team.
Does the audit committee monitor how the authority assesses its risk?	2	Y	The Committee monitors how the authority assesses risk through its consideration of the: <ul style="list-style-type: none"> <li>• quarterly Performance reports;</li> <li>• Internal Audit update reports;</li> <li>• Head of Internal Audit report; and,</li> <li>• Annual Governance Statement.</li> </ul>
Do the audit committee's terms of reference include oversight of the risk management process?	2	Y	The Terms of Reference state the Committee will: "monitor the effective development and operation of risk management and corporate governance in the Council."
<b>C. FINANCIAL REPORTING AND REGULATORY MATTERS</b>			
Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	1	Y	The Terms of Reference state the Committee will: "review the annual statement of accounts and approve these for publication."
Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>• the suitability of accounting policies and treatments</li> <li>• major judgements made</li> <li>• large write-offs</li> <li>• changes in accounting treatment</li> <li>• the reasonableness of accounting estimates the narrative aspects of reporting?</li> </ul>	1	Y	The Terms of Reference state the Committee will: "consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council."
Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	1	Y	Draft external audit findings were presented on 23 April 2018 and the external auditor's Annual report for the 2017/18 accounts was presented and discussed on 18 Sep 2018.
Does the audit committee review management's letter of representation?	1	Y	The Committee reviewed management's letter of representation for the 2017/18 accounts at its meeting on 21 Jun 2018.

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Does the audit committee annually review the accounting policies of the authority?	2	Y	The Committee has an opportunity to review the authority's accounting policies when it receives the annual accounts for approval.
Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	2	Y	Officers set out how the Council's accounts have been prepared and the procedures undertaken by the external auditor on the draft accounts prepared by officers.
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	2	Y	The Committee receives updates on topical legal and regulatory issues through the reports it receives, including the external auditor's audit plan and progress reports.
<b>D. INTERNAL AUDIT</b>			
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	1	Y	The Internal Audit plan/strategy for 2019/20 was considered by the Committee 5 Feb 2019. The Plan clearly sets out how internal audit will cover the key risks and corporate objectives of the Council.
Does internal audit have an appropriate reporting line to the audit committee?	1	Y	The Director of Audit, Fraud, Risk and Insurance reports regularly to the Committee and has free and unfettered access to the Chair of the Committee to discuss any matters of concern.
Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	1	Y	The Committee receives and Internal Audit Update report at each meeting and the Head of Internal Audit's Annual Report.
Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	1	Y	The Committee receives and Internal Audit Update report at each meeting which includes the results of follow up audits completed since the previous meeting.
Does the audit committee hold periodic private discussions with the Head of Internal Audit?	1	Y	The Director of Audit, Fraud, Risk and Insurance has free and unfettered access to the Chair of the Committee to discuss any matters of concern.
Is there appropriate cooperation between the internal and external auditors?	1	Y	The external auditor reviews reports issued by Internal Audit as part of their fieldwork in auditing the annual accounts. Discussions have taken place with the external auditor on testing to be undertaken as part of the migration from Agresso to SAP.
Does the audit committee review the adequacy of internal audit staffing and other resources?	1	Y	The report setting out the Internal Audit Plan/strategy provides assurance to the Committee regarding the adequacy of internal audit staffing and externally sourced provision.
Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	1	Y	The annual Head of Internal Audit Report provides assurance that Internal Audit is compliant with relevant standards, including the Public Sector Internal Audit Standards (PSIAS). A report will be presented to the Committee on 5 May 2019 setting out how Internal Audit complies with PSIAS.
Are internal audit performance measures monitored by the audit committee?	2	Y	The Internal Audit Update report present to each Committee, along with the Head of Internal Audit Report contain performance measures to enable the committee to assess the effectiveness of internal audit.

	Priority	Met?	Supporting information
Has the audit committee considered the information it wishes to receive from internal audit?	2	Y	The Committee regularly makes suggestions for enhancements to reporting which are incorporated into future reports to the Committee.
<b>E. EXTERNAL AUDIT</b>			
Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?	1	Y	The External Audit Plan/strategy for 2018/19 was presented on 5 Feb 2019.
Does the audit committee hold periodic private discussions with the external auditor?	1	Y	The external auditor attends the Chair's Call Over meeting when draft reports and any issues are discussed. Opportunities for private discussions are available if required.
Does the audit committee review the external auditor's annual report to those charged with governance?	1	Y	Draft external audit findings were presented on 23 April 2018 and the external auditor's Annual report for the 2017/18 accounts was presented and discussed on 18 Sep 2018.
Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	1	Y	The external auditor reports on the progress made by management to implement previous recommendations.
Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	1	Y	The external auditor's Annual report for the 2017/18 accounts was presented and discussed on 18 Sep 2018. Details of other inspections are included in the quarterly Performance Report.
Does the audit committee assess the performance of external audit?	1	Y	By receiving the external auditor's Plan and reports and asking appropriate questions on their work and reports.
Does the audit committee consider and approve the external audit fee?	1	Y	Public Sector Audit Appointments set the fee, which is reported to the Committee as part of the External Audit Plan (latest report on 5 Feb 2019).
<b>F. ADMINISTRATION</b>			
<b>i) Agenda management</b>			
Does the audit committee have a designated secretary from Committee/Member Services?	1	Y	Permanent clerk provided by Committee Services.
Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	1	Y	Draft papers provided to Chair prior to call over meeting and final reports published and provided to Members of the Committee at least 5 working days in advance of the meeting.
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	2	Y	Forward Plan included as standing item for each agenda covering the municipal year.
Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	2	Y	The Chair's Call Over meetings provide opportunities to add to the Committee's work programme through the year.

	Priority	Met?	Supporting information
<b>ii) Papers</b>			
Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	1	Y	The Committee agree an annual work programme setting the frequency/ breadth of reports required during the year.
Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	2	Y	Standard reporting formats are used with suggestions from the Committee for enhanced reporting incorporated where appropriate.
<b>iii) Actions arising</b>			
Are minutes prepared and circulated promptly to the appropriate people?	1	Y	Draft minutes circulated promptly to officers presenting reports and the Chair before being finalised.
Is a report on matters arising made and minuted at the audit committee's next meeting?	1	Y	Matters arising (actions for officers) are progressed between meetings and confirmed as completed at the next meeting.
Do action points indicate who is to perform what and by when?	1	Y	Yes, by next meeting unless otherwise specified.

## Annex A

### CIPFA (Chartered Institute of Public Finance and Accountancy) Knowledge and Skills Framework for Audit Committees

<b>Knowledge area</b> <b>Details of core knowledge required</b>	<b>How the audit committee member is able to apply the knowledge</b>
<p><u>Organisational Knowledge</u>            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 will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external audit reports and risk registers.</p>
<p><u>Audit committee role and functions</u>            An understanding of the audit committee's role and place within the governance structures.</p> <p>Familiarity with the committee's terms of reference and accountability arrangements.</p> <p>Knowledge of the purpose and role of the audit committee.</p> <p>Governance Knowledge of the six 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 governance.</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> <p>The committee will plan the assurances it is to receive in order to adequately support the AGS.</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p>
<p><u>Internal audit</u>            An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note.</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 Committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</p> <p>The Committee will review the assurances from internal audit work and will review the risk-based audit plan. The Committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the Committee will need to be confident that professional standards are being followed.</p>

<b>Knowledge area</b> <b>Details of core knowledge required</b>	<b>How the audit committee member is able to apply the knowledge</b>
<p><u>Financial management and accounting</u>  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, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.</p>	<p>Reviewing the financial statements prior to publication, asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit.</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls.</p> <p>The Committee should consider the role of the Chief Financial Officer and how this is met when reviewing the AGS.</p>
<p><u>External audit</u>  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 should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The Committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>
<p><u>Risk management</u>  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 of the audit committee.</p>	<p>In reviewing the AGS, the Committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces.</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based internal audit plan, external audit plans, and the explanatory foreword of the accounts.</p> <p>Typically, risk registers will be used to inform the Committee.</p> <p>The Committee should also review reports and action plans to develop the application of risk management practice.</p>



<b>Knowledge area</b> <b>Details of core knowledge required</b>	<b>How the audit committee member is able to apply the knowledge</b>
<p><u>Counter Fraud</u>  An understanding of the main areas of fraud risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice (Red Book 2).</p> <p>Knowledge of the organisation's arrangements for tackling fraud.</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the Committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</p> <p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing that assessment.</p>
<p><u>Values of good governance</u>  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 member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS.</p> <p>The Committee member should know to whom concerns should be reported.</p>
<p><u>Treasury management</u>  'Effective Scrutiny of Treasury Management' is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management.</p> <p>The key knowledge areas identified are:</p> <ul style="list-style-type: none"> <li>• regulatory requirements</li> <li>• treasury risks</li> <li>• the organisation's treasury</li> <li>• management strategy</li> <li>• the organisation's policies and procedures in relation to treasury management.</li> </ul>	<p>Core knowledge on treasury management is essential for the Committee undertaking the role of scrutiny.</p>

## Core Skills for Audit Committee Members

<p><u>Strategic thinking and understanding of materiality</u> Able to focus on material issues and overall position, rather than being side-tracked by detail</p>	<p>When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures. The Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.</p>
<p><u>Questioning and constructive challenge</u> Able to frame questions that draw out relevant facts and explanations.</p> <p>Challenging performance and seeking explanations while avoiding hostility or grandstanding.</p>	<p>The Committee will review reports and recommendations to address weaknesses in internal control. The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.</p>
<p><u>Focus on improvement</u> Ensuring there is a clear plan of action and allocation of responsibility.</p>	<p>The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities.</p> <p>Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken.</p>
<p><u>Able to balance practicality against theory</u> Able to understand the practical implications of recommendations to understand how they might work in practice.</p>	<p>The Committee should seek assurances that planned actions are practical and realistic.</p>
<p><u>Clear communication skills and focus on the needs of users</u> Support the use of plain English in communications, avoiding jargon, acronyms, etc.</p>	<p>The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.</p>
<p><u>Objectivity</u> Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.</p>	<p>The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.</p>
<p><u>Meeting management skills</u> Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.</p>	<p>These skills are essential for the Committee Chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.</p>