

Audit and Governance Committee Self Assessment – 2019/20

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and this publication (Practical Guidance for Local Authorities and Police, CIPFA, 218). Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Section 1 – Self Assessment of Good Practice

Good practice question		Yes	Partly	No	Comments/Actions
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			
2	Does the audit committee report directly to full council? (applicable to local government only)	✓			<i>The Audit and Governance Committee present a report to Full Council. The 2018/19 Annual report was received by Council in October 2019.</i>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?		✓		<i>ToR are consistent with CIPFA position statement and 2018 guidance. Regular review of the Committee’s ToR should be included within ToR or Work Plan – hence partial. ACTION: Target date to be agreed and included.</i>
4	Is the role and purpose of the audit committee understood and accepted across the authority			✓	<i>Comments from other Members and members of the public suggest that the role and purpose of the Audit and Governance Committee is not yet understood and appreciated. ACTION: Further training on the roles and responsibilities of the Audit and Governance Committee to be provided to all Members of the Council.</i>

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Good practice question		Yes	Partly	No	Comments/Actions
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?		✓		Following elections in May 2019, membership of the Audit and Governance Committee changed significantly; Chair and Vice Chair recognise the positive work of the Committee so far, and support actions to further improve. ACTION Development of further training for the Audit and Governance Committee members.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		Members had previously been limited regarding the number of questions which could be asked on the annual report of the Committee to full Council. Chair and Vice Chair noted that whilst there was open questioning on the report in 2019, there were fewer questions.
Functions of the Committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓			The terms of reference are based on the guidance from CIPFA – Audit Committees: Practical Guidance for Local Authorities and Police (2018 edition) and cover all of the core areas identified in CIPFA's Position Statement.
	good governance	✓			
	assurance framework, including partnerships and collaboration arrangements	✓			Chair and Vice Chair noted that this is within the Committee's ToR but the Committee is receiving its first report on this in 2020/21. Thereafter this needs consideration on more regular reports for this aspect of the Committee's role.
	internal audit	✓			
	external audit	✓			
	financial reporting	✓			Opportunities to review the scope and style of reports in this area have been discussed with the Executive Director of Corporate Services and the Director of Finance and Customer Services (S151 Officer).

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Good practice question		Yes	Partly	No	Comments/Actions
	risk management	✓			<i>Chair and Vice Chair noted that there have been capacity/resource issues around risk management which have been reported to A&G. The Committee has received a focused training session on Risk Management in March 2020 and will consider the Risk Management Framework on its March agenda.</i>
	value for money or best value	✓			<i>Opportunities to review the scope and style of reports in this area have been discussed with the Executive Director of Corporate Services and the Director of Finance and Customer Services (S151 Officer).</i>
	counter fraud and corruption	✓			
	supporting the ethical framework	✓			
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?	✓			<i>Self assessments are undertaken regularly. In agreement with the Chair and Vice Chair, a self assessment was not carried out earlier in 2019/20 in recognition of the change to Committee membership following May 2019 elections.</i>
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?	✓			<i>This was considered as part of the last review of the ToR in 2018 and is evidenced by the Committee having responsibility for reviewing:</i> <ul style="list-style-type: none"> • <i>ethical standards issues</i> • <i>the effectiveness of the Council's whistleblowing arrangements, and</i> • <i>monitoring the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.</i>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?		✓		<i>See actions identified throughout the self assessment.</i>

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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?	✓			<i>The Committee's decision making powers are all in line with its core purpose. E.g. approval of Financial Statements, approval of AGS, monitoring the effectiveness of the risk management arrangements.</i>
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include:				<i>The Committee is separate from the executive and the Chair and Vice Chair are happy that the size of the committee is not unwieldy.</i>
	■ separation from the executive	✓			
	■ an appropriate mix of knowledge and skills among the membership		✓		<i>See comments for Point 4: Training for Committee members, and Members in general.</i>
	■ 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)	✓			ACTION: <i>Consideration to be given to inclusion of more independent members during the 2020/21 Committee year.</i>
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by as appropriate for the organisation?	✓			<i>The Audit and Governance Committee approved the recruitment and selection process for the appointment of the co-opted independent member to the Committee.</i>
14	Does the chair of the committee have appropriate knowledge and skills?	✓			<i>The Chair and Vice Chair have attended events such as the Public Sector Audit Appointments network events to supplement their knowledge and skills.</i>
15	Are arrangements in place to support the	✓			<i>Induction training is provided to new and substitute members</i>

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	committee with briefings and training?				<i>of the Committee. Additional training sessions have been held to support members with information on the statement of accounts, annual governance statement, learning lessons from other organisation's experiences and risk management.</i>
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	✓			<i>An assessment of the committee's knowledge and skills has been carried out during 2019 following the elections and has been used to identify areas for briefings, updates and training.</i>
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	✓			<i>The Committee is regularly attended by the Chief Executive, Executive Directors, Section 151 Officer and the Council's Monitoring Officer. Representatives from Internal Audit, Risk Management and service representatives are also present during meetings. The Chair and Vice Chair regularly meet (separately) with the Council's External Auditor.</i>
18	Is adequate secretariat and administrative support to the committee provided?	✓			<i>Democratic Services and Internal Audit provide secretariat and administrative support to the Committee.</i>
Effectiveness of the Committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		<i>See comments on point 6</i>
20	Are meetings effective with a good level of discussion and engagement from all the members?		✓		<i>Chair and Vice Chair expect that meetings will become more effective as experience grows and training is provided.</i>
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?		✓		<i>See comments on point 20</i>
22	Does the committee make		✓		<i>Chair/Vice Chair would like to consider ways of using the</i>

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Good practice question		Yes	Partly	No	Comments/Actions
	recommendations for the improvement of governance, risk and control and are these acted on?				<i>work plan item to include ways of documenting progress on items raised at previous meetings, possibly using an assurance framework approach.</i>
23	Has the committee evaluated whether and how it is adding value to the organisation?	✓			<i>The Annual Report of the Committee is presented to full Council and addresses the key areas where the Committee should be held to account. This includes what impact the Committee has had on the improvement of governance, risk and control within the Council. This self-assessment also evaluates where the Council is adding value</i>
24	Does the committee have an action plan to improve any areas of weakness?	✓			<i>Each self-assessment of the Audit and Governance Committee has been supported by an action plan identifying areas for improvement. Any actions are regularly reviewed at meetings.</i>
25	Does the committee publish an annual report to account for its performance and explain its work?	✓			<i>Last presented in October 2019.</i>
		27	9	1	

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Section 2: Evaluating the effectiveness of the Audit 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.
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- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
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- 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.
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- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
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- 1 No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self evaluation examples, areas of strength and weakness	Overall assessment: 5-1 See key above
Promoting the principles of good governance and their application to decision making	Supporting the development of a local code of governance	The Audit and Governance Committee were involved in the development of the current Code of Corporate Governance.	4
	Providing robust review of the AGS and the assurances underpinning it	The AGS and supporting evidence is provided to the Committee and a training session held for Members, prior to the Committee approving it in July.	4
	Working with key members to improve their understanding of		4

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	the AGS and their contribution to it		
	Supporting reviews/audits of governance arrangements		4
	Participating in self- assessments of governance arrangements	Self assessments of governance arrangements have previously been included in the Annual Governance Statement process.	4
	Working with partner audit committees to review governance arrangements in partnerships	Action: For the Committee to consider opportunities for working with partner audit committees following reports on partnerships governance in 2020/21	1
Contributing to the development of an effective control environment	Actively monitoring the implementation of recommendations from auditors	Audit and Governance Committee receives regular reports on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules	4
	Encouraging ownership of the internal control framework by appropriate managers	The Committee continues to monitor the implementation of actions raised by the External Auditors and the AGS Action Plan. Internal Audit Interim and Annual reports include information	3

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		relating to implementation of audit actions and provide details of all limited or no assurance reports issued.	
	Raising significant concerns over controls with appropriate senior managers	Senior Managers attend Committee to discuss lessons learned – for example in response to LGO findings, and in relation to WARN reporting.	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking	Chair and Vice Chair have shared concern over reporting on risk management arrangements during 2019/20 following capacity issues which are now resolved. Regular updates will be provided during 2020/21.	2
	Monitoring improvements		2
	Raising significant concerns over controls with appropriate senior managers		2
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	The Work Plan presented to Committee demonstrates how the assurance reports enable the Committee to meet its terms of reference.	4
	Seeking to streamline assurance gathering and reporting		4
	Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit	The Work Plan is a standing item on each agenda and the Committee are proactive in requesting reports and	4

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		assurances from the Council. The Committee receive annual reports on the effectiveness of Internal Audit as part of the AGS process and also receive an annual Monitoring Officer report.	
Supporting the quality of the internal audit activity particularly by underpinning its organisational independence	Reviewing the audit charter and functional reporting arrangements	The Committee regularly receives the Internal Audit Charter, and receives interim updates on progress against the Annual Plan, which include updates on the Quality Assurance Improvement Plan and self assessment of effectiveness.	5
	Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements		5
	Actively supporting the quality assurance and improvement programme of internal audit.		5
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	Reviewing how the governance arrangements support the achievement of sustainable outcomes	The Committee receives update reports on the work of Internal Audit including key findings, issues of concern, and action in response to the findings and recommendations. The reports include relevant information regarding Internal Audit reviews of projects and programmes.	4
	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place		3
	Reviewing the effectiveness of performance management		3

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	arrangements	Action: The Committee to consider other areas where they wish to seek assurance.	
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	The Committee considers the annual external audit opinion on value for money. The Committee receives regular reports on the quantity and reasons for Waivers and Non-Adherences to monitor compliance with procurement rules. These reports inform the Annual Governance Statement.	4
	Considering how performance in value for money is evaluated as part of the AGS		4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)	The Committee received a Counter Fraud update in October 2019 which provided an overview of developments taking place nationally, an update on counter fraud activity in Cheshire East and the ongoing work to ensure compliance with best practice and improvements to resilience to the threat of counter fraud and corruption. The Council received the annual report of the Monitoring Officer	3
	Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks		3
	Assessing the effectiveness of ethical governance arrangements for both staff and governors		3

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		and an update on the Council's Whistleblowing Policy during 2019/20.	
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	The Committee approves a number of public facing documents and reports, and as part of producing these documents considers any changes needed to improve transparency. The Council's Monitoring Officer report includes information on the Council's performance under the Data Protection Act (2018), the Freedom of Information Act (2000) and the Environmental Information Regulations.	3
	Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency	Action: The Committee will receive reports on this area during 2020/21.	3
	Publishing an annual report from the committee	Council received the annual report of the Committee in October 2019.	5