REPORT OF THE DIRECTOR OF FINANCE & CORPORATE BUSINESS
AND
HEAD OF INTERNAL AUDIT

TO THE AUDIT & ACCOUNTS COMMITTEE

ON Wednesday 28th June 2017

TITLE: AUDIT & ACCOUNTS COMMITTEE SELF-ASSESSMENT

RECOMMENDATIONS:
Members are requested to consider the results of the self-assessment exercise, detailed in the attached report, which reports on the effectiveness of the Audit & Accounts Committee, and approve any actions required to increase the effectiveness of this Committee.

EXECUTIVE SUMMARY:
The purpose of the report attached at Appendix 1 is to inform Members of the results of the self-assessment exercise, in which they took part at the last meeting of this Committee, and to gain the Committee’s approval of the proposed Action Plan.

BACKGROUND DOCUMENTS:
Audit Committees – Practical Guidance for Local Authorities - CIPFA

KEY DECISION: NO

DETAILS: See attached report

KEY COUNCIL POLICIES: N/A

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: N/A

ASSESSMENT OF RISK:
A key requirement for the Audit & Accounts Committee, in order for the Committee to meet its terms of reference, is to assess its own performance.

LEGAL IMPLICATIONS Supplied by: N/A
FINANCIAL IMPLICATIONS Supplied by: N/A

PROCUREMENT IMPLICATIONS Supplied by:
There are no known Procurement implications within this report

HR IMPLICATIONS Supplied by:
There are no known HR implications arising from this report.

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: Jean Gleave TEL NO: 0161 607 6651

WARDS TO WHICH REPORT RELATES: N/A
Introduction

CIPFA guidance on best practice for Audit Committees, as laid down in the “Audit Committees – Practical Guidance for Local Authorities” suggests that an Audit Committee should review its effectiveness on an annual basis. The guidance suggests that a self-assessment questionnaire approach may be utilised.

At the last Audit & Accounts Committee meeting on the 22nd March 2017, all Members in attendance were requested to complete the self-assessment questionnaire. The interactive electronic voting software was used to complete the self-assessment to ensure that, as in previous years, the results were captured anonymously.

The table in Appendix A shows the results of this self-assessment exercise held in March 2017.

Self-Assessment Questionnaire Results

Seven elected members and two independent members were present at the March 2017 Audit & Accounts Committee meeting, representing 90% of the Committee.

The assessment was divided into four sections consisting of:

1. Audit Committee Purpose and Governance, questions 1-6
2. Functions of the Committee, questions 7-11
3. Membership and Support, questions 12-17
4. Effectiveness of the Committee, questions 18-20

Consisting of the following options for responses:

- Yes
- Partly
- No

In addition to the response during the voting session members were also given the opportunity to provide any additional comment or feedback.
Section 1: Audit Committee Purpose and Governance

The first section of the questionnaire deals with the purpose and governance of the committee, with questions about the terms of reference, reporting lines, communication of its role and its accountability, and consisted of six questions. The majority of responses to these questions was ‘Yes’, with the exception of Question 4, ‘Is the role and purpose of the audit committee understood and accepted across the authority’; this had 3 members responding ‘Yes’ 3 members responding ‘Partly’ and 2 members responding ‘No’. This was a reduction on the previous year’s assessment which had 50% responding ‘Yes’ and 50% responding ‘Partly’ (60% member responses).

Section 2: Functions of the Committee

This area consisted of five questions and examined the functions of the committee, measured against the CIPFA Position Statement on Audit Committees in Local Authorities and Police. It considered whether the core areas of the Position Statement have been addressed, whether the wider areas have been considered appropriate to be undertaken, and whether there is any evaluation of the fulfilment of the terms of reference.

Answers were generally positive, however with regard to the question on whether ‘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’, 2 members voted ‘Yes’, 6 ‘Partly’ and 1 ‘No’. On the related question ‘where coverage of core areas has been found to be limited, are plans in place to address this’, 3 voted ‘Yes’ and 6 voted ‘Partly’.

Section 3: Membership and Support

This section consisted of five questions and considered the membership and support to the committee, looking at the structure and composition, the effectiveness of the chair, working relationships with internal and external audit, support for training, and administrative support.

All but one question was answered majority ‘Yes’; the exception was question 14 which had 4 members answering ‘Yes’, 4 answering ‘Partly’ and 1 member answering ‘No’ for ‘are arrangements in place to support the committee with briefings and training’.

Section 4: Effectiveness of the Committee

The three questions in this section focused on the effectiveness of the committee, asking whether feedback on its performance has been obtained, if it considers how it adds value to the organisation, and whether there is an action plan to improve any areas of weakness.

As in the previous year’s assessment, this section received the least positive responses with members answering majority ‘Partly’ to ‘has the committee obtained feedback on its performance from those interacting with the committee or relying on its work.’ Members answered 4 ‘Yes’ 4 ‘Partly’ and 1 ‘No’ to ‘has the committee evaluated whether and how it is adding value to the organisation’.
The question relating to whether the ‘Committee has action plan to improve areas of weakness’ received 2 ‘Yes’ 4 ‘Partly’ and 3 ‘No’ responses.

**Conclusion and Proposed Actions**

The scores were generally positive in most categories, however they do indicate, similar to the previous year, that the Members may need to consider whether there is adequate information made available to the council about their role and adequate opportunity is given to provide feedback on the Committee’s performance. A briefing session was provided to Members in November 2016 by the City Solicitor around Greater Manchester devolution, in response to training requests.

Members are asked to consider the following to increase the effectiveness of the Committee:

- The Committee complete and action the CIPFA checklist ‘Evaluating the Effectiveness of the Audit Committee’, see Appendix B

- A review should be undertaken of the information published on the intranet and the council's website regarding the activity of the Audit and Accounts Committee.

- Committee considers required briefings and training.

- Committee to agree an action plan to improve areas of weakness, against which progress can be monitored.
Effectiveness Results of Self-Assessment Questionnaire for Committee Members as at March 2017

Number of Member Responses = 9

<table>
<thead>
<tr>
<th></th>
<th>Audit Committee Purpose and Governance</th>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the authority have a dedicated audit committee?</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Does the audit committee report directly to full council?</td>
<td>75%</td>
<td>12.5%</td>
<td>12.5%</td>
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<tr>
<td></td>
<td>Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s position statement</td>
<td>89%</td>
<td>-</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>Is the role and purpose of the audit committee understood and accepted across the authority?</td>
<td>37.5%</td>
<td>37.5%</td>
<td>25%</td>
</tr>
<tr>
<td>4</td>
<td>Does the audit committee provide support to the authority in meeting the requirements of good governance?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
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<tr>
<td>5</td>
<td>Are the arrangements to hold the committee to account for its performance operating satisfactorily?</td>
<td>78%</td>
<td>22%</td>
<td>-</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Functions of the Committee</th>
<th>Yes</th>
<th>Partly</th>
<th>No</th>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>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?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertaken them?</td>
<td>22%</td>
<td>67%</td>
<td>11%</td>
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<tr>
<td>9</td>
<td>Where coverage of core areas has been found to be limited, are plans in place to address this?</td>
<td>33%</td>
<td>67%</td>
<td>-</td>
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<tr>
<td>10</td>
<td>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?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Membership and Support</td>
<td>Yes</td>
<td>Partly</td>
<td>No</td>
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<tr>
<td>12</td>
<td>Has an effective audit committee structure and composition of the committee been selected?</td>
<td>87.5%</td>
<td>12.5%</td>
<td>-</td>
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<tr>
<td></td>
<td>Do members feel that the Chair promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
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<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>14</td>
<td>Are arrangements in place to support the committee with briefings and training?</td>
<td>44.5%</td>
<td>44.5%</td>
<td>11%</td>
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<tr>
<td></td>
<td>Does the committee have good working relations with key people and organisations, including external audit, internal audit, and the chief financial officer?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
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<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>17</td>
<td>Is adequate secretariat and administrative support to the committee provided?</td>
<td>89%</td>
<td>11%</td>
<td>-</td>
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<tr>
<td></td>
<td>Effectiveness of the Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?</td>
<td>25%</td>
<td>75%</td>
<td>-</td>
</tr>
<tr>
<td>19</td>
<td>Has the committee evaluated whether and how it is adding value to the organisation?</td>
<td>44.5%</td>
<td>44.5%</td>
<td>11%</td>
</tr>
<tr>
<td>20</td>
<td>Does the committee have an action plan to improve any areas of weakness?</td>
<td>22%</td>
<td>44.5%</td>
<td>33%</td>
</tr>
</tbody>
</table>
### Evaluating the Effectiveness of the Audit Committee

<table>
<thead>
<tr>
<th>Self Assessment Qns</th>
<th>Areas where the audit committee can add value by supporting improvement</th>
<th>Examples of how the audit committee can add value and provide evidence of effectiveness</th>
</tr>
</thead>
</table>
| 6, 7a,7b            | Promoting the principles of good governance and their application to decision making. | • Providing robust review of the AGS and the assurances underpinning it.  
                         • Working with key members to improve their understanding of the AGS and their contribution to it.  
                         • Supporting reviews/audits of governance arrangements.  
                         • Participating in self-assessments of governance arrangements.  
                         • Working with partner audit committees to review governance arrangements in partnerships. |
| 2,3,4,5,6           | 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. |
| 3,5,7f              | 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. |
| 3,5,7b,10           | 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.  
                         • Seeking to streamline assurance gathering and reporting.  
                         • Reviewing the effectiveness of assurance providers eg internal audit, risk management, external audit. |
<table>
<thead>
<tr>
<th>Self Assessment Qns</th>
<th>Areas where the audit committee can add value by supporting improvement</th>
<th>Examples of how the audit committee can add value and provide evidence of effectiveness</th>
</tr>
</thead>
</table>
| 3,7c,16,17          | 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. |
| 5,7g,19             | 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. |
| 7g,19               | 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. |
| 3,7h                | 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 CIPFA’s *Managing the Risk of Fraud* (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. |
| 3,4,16              | 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. |