

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	29 NOVEMBER 2018
TITLE	SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE
PURPOSE OF REPORT	TO REPORT BACK FROM THE WORKSHOP HELD ON 5 NOVEMBER 2018
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ACTION	TO CONSIDER THE CONTENTS AND AGREE THE IMPLEMENTATION STEPS

1. INTRODUCTION

- 1.1 At its meeting on 19 July 2018, the Audit and Governance Committee resolved to organise a workshop during the autumn of 2018 in order to conduct a self assessment of its effectiveness.
- 1.2 The purpose of the Workshop would be to consider if the Committee operates in the most effective way, and where there is scope to do more.
- 1.3 The Workshop was held at the Council's offices at Galw Gwynedd, Penrhyndeudraeth, on 5 November. Seven members of the Committee attended, including the Chair. The Head of Finance, the Senior Manager Revenues & Risk and the Audit Manager attended to facilitate.

2. THE CONTENTS OF THE SESSION

- 2.1 The contents of the CIPFA publication *Audit Committee – Practical Guidance for Local Authorities and Police* was used as the base of the workshop. In accordance with Statutory Guidance for the 2011 Measure, published in 2012, it is expected that the audit committees of local authorities in Wales pay attention to this publication. The Statutory Guidance refers to the version of the CIPFA guidance that was available at that time, namely the 2005 version, but an updated version has been published in 2018.
- 2.2 The CIPFA guidance was used to consider:
 - If the Committee is undertaking the things that it should, in accordance with the statutory requirements and best practice
 - How effectively it is doing these things.

3. SELF-ASSESSMENT OF GOOD PRACTICE

- 3.1 Appendix D of the CIPFA guidance, Self-Assessment of Good Practice, was used to consider if the Committee delivers what is expected from it in terms of statutory requirements and the best practice of professional bodies. The Senior Manager Revenues and Risk and the Audit Manager had already addressed these questions in the run-up to the workshop, and the results were presented to the workshop for discussion.
- 3.2 The results of the Self-assessment of Good Practice can be found on the following pages. After identifying any gaps, an action plan to improve compliance was drawn up.

SELF-ASSESSMENT OF GOOD PRACTICE

	Good practice questions	Yes	Partly	No	Evidence/Comments
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			Part 9.2.1 of Gwynedd Council's Constitution states " <i>The Council will appoint an Audit Committee to discharge the functions described in Section 13 of this constitution and in accordance with sections 81-87 of The Measure.</i> "
2	Does the audit committee report directly to full council? (Applicable to local government only.)	✓			<p>The Audit and Governance Committee reports directly to the Full Council, and is a full committee (i.e. not a sub-committee).</p> <p>The Council's Scheme of Delegation (Part 13 of the Council's Constitution) specifically delegates the duty to approve the authority's statement of its accounts, income, expenditure and balance sheet or its record of its proceeds and payments (as it happens) to the Audit and Governance Committee.</p> <p>The Audit and Governance Committee has not presented an Annual Report to the full Council, despite this requirement being detailed in the Audit Committee's Terms of Reference. However, the members agreed that any matters that needed further attention would be reported the full Council on an exception basis.</p>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			Paragraph 1.1 of the Audit and Governance Committee's Terms of Reference.
4	Is the role and purpose of the audit committee understood and accepted across the authority?	✓			No evidence to suggest to the contrary.

	Good practice questions	Yes	Partly	No	Evidence/Comments
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			The Governance Arrangements Assessment Group presents reports to the Audit Committee occasionally. The Annual Governance Statement is presented to the Audit and Governance Committee to be challenged and approved.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		No such formal arrangements have been put in place, but the external auditor considers the effectiveness of the Committee when undertaking the assessment of the authority's governance arrangements.
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	<ul style="list-style-type: none"> good governance 	✓			TOR – Section 2.2
	<ul style="list-style-type: none"> assurance framework, including partnerships and collaboration arrangements 	✓			TOR – Section 2.2
	<ul style="list-style-type: none"> internal audit 	✓			TOR – para. 2.2.5 – 2.2.9 and Section 2.3
	<ul style="list-style-type: none"> external audit 	✓			TOR – Section 2.3
	<ul style="list-style-type: none"> financial reporting 	✓			TOR – Sections 2.1 and 2.4
	<ul style="list-style-type: none"> risk management 	✓			TOR – Section 2.2. The members were of the opinion that more frequent reports are necessary.
	<ul style="list-style-type: none"> value for money or best value 			✓	
	<ul style="list-style-type: none"> counter-fraud and corruption. 		✓		TOR – para.2.2.10 – 2.2.13. However, specific reports are not presented.
	<ul style="list-style-type: none"> 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?		✓		A formal annual evaluation is not undertaken, but the workshop is an opportunity to undertake a self-assessment.

	Good practice questions	Yes	Partly	No	Evidence/Comments
9	<p>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?</p> <p>These areas are:</p> <ul style="list-style-type: none"> • Being satisfied with standard of assurance (e.g. Governance Statement) • Overseeing, supporting and promoting internal audit • Considering the effectiveness of the risk management arrangements and control environment • Effectiveness of the control environment (value for money, standards and ethics, preventing fraud and corruption) • Reports and recommendations of external audit and inspectors and their implications • Supporting effective relationships • Financial statements. 		✓		<p>The Audit and Governance Committee does undertake some of these areas, e.g. reviewing and monitoring treasury management arrangements.</p> <p>However, the Audit and Governance Committee has not formally considered whether it should undertake the "wider areas".</p> <p>The Audit and Governance Committee does not currently provide oversight of the Annual Report.</p>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?		✓		<p>The core areas where coverage is limited are value for money / best value and proactive fraud work.</p> <p>A report on work undertaken on the National Fraud Initiative will be presented to the Committee in due course.</p>
11	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?	✓			

	Good practice questions	Yes	Partly	No	Evidence/Comments
Membership and support					
12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <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 • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Gwynedd Council's Constitution – Section 9.2</p> <p>The Audit and Governance Committee comprises of 18 members and one lay member. The Control Improvement Working Group has been established to deal with areas where the full committee would be unwieldy.</p> <p>Mandatory in Wales – has been implemented.</p>
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?	✓			Appropriate procedures were followed, including adverts in the press.
14	Does the chair of the committee have appropriate knowledge and skills?	✓			This was discussed in the Workshop on 5 November 2018, without the Chair being present. There was consensus amongst members that the Chair's knowledge and skills are appropriate.
15	Are arrangements in place to support the committee with briefings and training?	✓			Induction training was provided for members in June 2017. Training has been provided on Treasury Management issues.
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		A members self-assessment of knowledge and skills has not been undertaken.

	Good practice questions	Yes	Partly	No	Evidence/Comments
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			There are very good working relationships with these key stakeholders
18	Is adequate secretariat and administrative support to the committee provided?	✓			Yes, in accordance with the Council's arrangements
Effectiveness of the committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		It receives informal feedback through the work of the external auditors. The Workshop on 5 November 2018 gave officers an opportunity to provide comments.
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓			All members contribute in Committee meetings
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?	✓			This happens in the full Committee as well as in the Control Improvement Working Group
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			Has referred matters to scrutiny committees where appropriate.
23	Has the committee evaluated whether and how it is adding value to the organisation?		✓		Has undertaken a self-assessment in May 2016 and again in November 2018
24	Does the committee have an action plan to improve any areas of weakness?		✓		To be considered in the Committee meeting on 29 November 2018
25	Does the committee publish an annual report to account for its performance and explain its work?		✓		See question 2 above.

Matters requiring attention

3.3 In considering the results of the Self-assessment of Good Practice, members' views that the following gaps need attention were noted:

Question	Matter requiring attention	Ways of Responding
2	The Committee does not formally submit an annual report to the full Council	Following discussion, the members were of the opinion that an exception report to the full Council would be more appropriate.
	A lack of response from the scrutiny function updating the Committee about those matters that have been referred to them.	The issues to be discussed by scrutiny committees is a matter for them, but the expectation is that every committee would be in agreement on issues of high risk. Discuss with officers who support the scrutiny function to ensure that matters receive appropriate attention in scrutiny forums, and review the arrangements for responding to reports by external auditors.
	More detailed information about follow-up work	The Audit Manager and the Senior Manager Revenues and Risk will be giving attention to this. It is believed that reporting on an exception basis on failure to act would be the most effective way of working.
	The Committee eager to receive information form the Senior Information Risk Owner (SIRO)	The Senior Manager Revenues and Risk to discuss with the relevant officer and the head of department.
	More information about anti-fraud and anti-corruption work should be presented	The Senior Manager Revenues and Risk to present a paper to the Committee in its February 2019 meeting.
	More regular reports from the Governance Assessment Working Group should be presented	This will occur in future meetings of the Committee. Senior Manager Revenues and Risk to act.
6	Holding the Committee to account – does not receive feedback formally	Officers from Finance to ask the external auditor for comments.
	Need a specific report on Value for Money / Best Value work	Ffordd Gwynedd thinking will play a key role in this. The Committee to request updates as required.
	Supporting the Ethical Framework	The Senior Manager Revenues and Risk to present a paper to the Committee.
14	Need to consider the training offered to Committee members.	Finance officers to offer suggestions on specific topics for the members of the Audit and Governance Committee, which will include discussions with relevant units of the Corporate Support Department.

4. RECOMMENDATION

4.1 The Committee is requested to:

- **Receive confirmation by those members who were at the workshop on 5 November that this report is a fair reflection of the discussion held there.**
- **Accept the contents of this report as the basis for an action plan for the further development of the Committee, and to resolve to accept an update to every meeting on progress against these actions.**