

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>5 MAY 2016</b>
TITLE	<b>SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE</b>
PURPOSE OF REPORT	<b>TO PRESENT A SUGGESTED APPROACH FOR ASSESSING THE EFFECTIVENESS OF THE AUDIT COMMITTEE, AND CONSIDER THE APPROPRIATE METHOD OF IMPLEMENTATION</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUE AND RISK</b>
ACTION	<b>TO CONSIDER THE CONTENTS, OFFER COMMENT THEREON, AND RESOLVE WHETHER TO UNDERTAKE A SELF-ASSESSMENT</b>

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## **1. INTRODUCTION**

- 1.1 The Audit Committee has a key role within the authority's governance arrangements – this is the Committee that has been designated as "those responsible for governance". This means that it has the task of ensuring that the Council's governance arrangements are robust.
- 1.2 As a result, the Committee is also one of the 33 elements in the Council's Governance Framework. In the latest matrix (presented to this meeting as a separate item), an Impact score of 2 out of 5, and effectiveness score of 3 out of 5, is noted for the Audit Committee.
- 1.3 Although these scores are assessed regularly by the Governance Arrangements Assessment Group, and are presented to the Management Group and the Audit Committee, best practice would be for the Committee itself undertake an occasional self-assessment.

## **2. UNDERTAKING THE SELFASSESSMENT**

- 2.1 The Welsh Government's Statutory Guidance from the Local Government Measure 2011 (June 2012), it is noted that the Government has previously endorsed CIPFA's publication "*Audit Committees: Practical Guidance for Local Authorities*" and continues to do so, and local authorities are advised to view this document as being complimentary to the statutory guidance.
- 2.2 CIPFA'S publication was originally published in 2005, and the statutory guidance themselves note that it had become somewhat dated by 2012. A new version of "*Audit Committees: Practical Guidance for Local Authorities*" was published in 2013.
- 2.3 This guidance includes a tool to assist members of audit committees to assess where their Committee operates in the most effective way, and where there is scope to do more. CIPFA's assessment guidelines are included in the Appendix.
- 2.4 As can be seen, the assessment document is neither lengthy nor complex, but if it is to be utilised there will be a need to dedicate time to undertake the work – a formal committee meeting is not a suitable forum.
- 2.5 The Audit Committee is therefore asked to consider holding a workshop of its members with a facilitator during May / June 2016, in order to conduct its own assessment of its effectiveness.
- 2.6 Not only would the outcome of the assessment will feed into the self-assessment of the governance arrangements, and to the Annual Governance Statement, but will also contribute to further work that the Wales Audit Office will undertake on our governance arrangements during 2016/17.

## **3. RECOMMENDATION**

- 3.1 **The Committee is requested to consider whether to organise a workshop during May / June 2016 in order to conduct a self-assessment of its effectiveness and, if agreed, to decide on a location.**

## **Evaluating the Effectiveness of the Audit Committee**

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### **Assessment key**

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- 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
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 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.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 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.	<p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>		
Contributing to the development of an effective control environment.	<p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks</p>		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</p>		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>Reviewing the audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements and supporting improvements</p>		

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
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.		
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.		
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 <i>Managing the Risk of Fraud (Red Book 2)</i> . 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.		
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 language. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.		