

2013/14 Performance & Audit Committee Self-assessment of Good Practice & Evaluation of Effectiveness April 2014

Self-assessment of Good Practice

Good Practice questions		Yes	Partly	No	Comments/action
Audit Committee purpose and governance					
1	Does the authority have a dedicated audit committee?	yes			The Performance & Audit (P&A) Committee performs all the core functions of an audit committee.
2	Do audit committee report directly to full council?	yes			The Chairman presents an annual report to full council. Full Council has agenda standing item "Members' questions to the Leader, members of the executive and chairmen of committees". The Cabinet has agenda standing item "Reports (if any) from Performance & Audit Committee and Scrutiny Committee".
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		partly		The Specific Functions of the P&A Committee in section 6.3 of the Terms of Reference cover the core functions of an audit committee as identified in the 2006 CIPFA guidance. The Terms of Reference are to be reviewed and revised where necessary to meet CIPFA's Position Statement in the new CIPFA Guidance published in December 2013.
4	Is the role and purpose of the audit committee understood and accepted across the authority?	yes			

Good Practice questions		Yes	Partly	No	Comments/action
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	yes			At its May 2013 meeting the P&A Committee approved the 2012/13 draft Annual Governance Statement (AGS). The 2013/14 draft AGS will be presented for approval at its July 2014 meeting. The committee receives the Internal Audit Managers Annual Report & Opinion on the Council's overall control environment for the previous year.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	yes			The P&A Committee has carried out the annual self-assessment of its effectiveness since its creation in April 2012. There is scope from question and challenge from Members, External Auditors and members of the public.
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		partly		The Terms of Reference are to be reviewed and revised where necessary to meet CIPFA's Position Statement in the new CIPFA Guidance published in December 2013
	▪ Good governance		partly		Not explicitly addressed in the current terms of reference
	▪ Assurance framework		partly		Not explicitly addressed in the current terms of reference
	▪ Internal audit	yes			
	▪ External audit	yes			
	▪ Financial reporting	yes			
	▪ Risk management	yes			
	▪ Value for money or best value	yes			
	▪ Counter-fraud and corruption		partly		There is no formal system of regular reporting and monitoring of the Council's Anti-fraud and Corruption Strategy & Policies and its counter-fraud work in place.

Good Practice questions		Yes	Partly	No	Comments/action
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?	yes			An annual self-assessment of the P&A Committee's effectiveness is by the Chairman and P&A Committee members all of whom are invited to take part in the self-assessment exercise. This is carried out in April each year and the results are reported back to the committee at its May meeting and included in the AGS.
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?	yes			Not considered appropriate for the P&A Committee.
10	Where coverage of core areas has found to be limited, are plans in place to address this?	yes			There is no formal system of regular reporting and monitoring of the Council's Anti-fraud and Corruption Strategy & Policies and its counter-fraud work in place. The committee is to receive reports from the new Counter Fraud Working Group at least two times per year.
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?	yes			In 2013/14 the P&A Committee has maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose.
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include:	yes			P&A Committee members are appointed by Full Council being drawn from all parties to reflect the political balance of the council.
	▪ Separation from the executive	yes			No P&A Committee members are members of the Executive.
	▪ An appropriate mix of knowledge and skills among the membership	yes			P&A Committee members include a Chartered Accountant and a Chartered Company Secretary. Members draw upon knowledge and skills from a wide range of business and social backgrounds.

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	<ul style="list-style-type: none"> A size of committee that is not unwieldy 	yes			There are 10 members of the Committee, meetings are always quorate and are well attended.
	<ul style="list-style-type: none"> Where independent members are used, that they have been appointed using an appropriate process 	yes			There are no independent members on the P&A Committee.
13	Does the chair of the committee have appropriate knowledge and skills?	yes			The P&A Committee Chairman is a Chartered Company Secretary and a Fellow of the Institute of Company Secretaries and Administrators. The P&A Committee Chairman was formerly Secretary to an Audit Committee of a PLC and Trustee of a Pension Scheme. In addition to this, the Deputy Chairman is a Chartered Accountant.
14	Are arrangements in place to support the committee with briefings and training?		Partly		External Auditors provide a briefing note at each committee meeting on new developments and issues of importance to the Committee. In addition officers brief members on changes that affect the Committee; the Internal Audit Manager updates the Committee on governance and Internal Audit issues. In order to satisfy this Good Practice Question it is felt that a formal programme of training needs to be put in place. This will be a priority for the Committee in the new municipal year.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			No	There are no known gaps in the Committee's skills and knowledge however it is felt that to satisfy this Good Practice Question a formal skills assessment should be carried out. This will inform the preparation of the Committee's training programme, as noted above. The objective is to ensure that all Members of the Committee are able to actively participate and make effective contributions to the Committee's work.
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and chief finance officer?	yes			The Chairman considers relationships with the Internal Audit Manager, External Auditor and the Chief Finance Officer to be good. All attend or are represented at all meetings of the Committee. Members are able to have private meetings with the Internal Audit and External Audit and are able to take up matters with any officer.

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17	Is adequate secretariat and administrative support to the committee provided?	yes			The P&A Committee has a designated CMT member as Lead Officer. The Council operates a system of rotation of Democratic Services Officers who attend meetings.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		partly		The P&A Committee has received informal feedback from External Auditors, CFO and Internal Audit. There is opportunity for views to be relayed but no formal mechanism for feedback on the Committee's performance.
19	Has the committee evaluated whether and how it is adding value to the organisation?			no	The work of the committee is clearly important and valuable and its Audit function is essential but there is no formal evaluation of how it adds value. The committee should investigate this and look to see how other audit committees have addressed this point
20	Does the committee have an action plan to improve any areas of weakness?			no	The committee will be responding to those questions not answered 'yes' by evaluation of the processes and development of an action plan to improve any area of weakness identified.

Evaluating the Effectiveness of the Audit Committee

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 below
1. Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> • <i>Providing robust review of the AGS and the assurances underpinning it</i> • <i>Working with key members/governors to improve their understanding of the AGS and their contribution to it</i> • <i>Supporting reviews/audit of governance arrangements</i> • <i>Participating in self-assessments of governance arrangements</i> • <i>Working with partner audit committees to review governance arrangements in partnerships</i> 	<p>Annual review and approval of the Annual Governance Statement. Receipt of the Internal Audit Manager's Annual Report and Opinion. Monitoring of Internal Audit work throughout the year. Review of the External Auditors Reports and recommendations.</p> <p>Weakness – working with partnership audit committees. This is an area the committee will be seeking to improve on e.g. with the audit committee for the North Essex Parking Partnership.</p>	4
2. Contributing to the development of an effective control environment	<ul style="list-style-type: none"> • <i>Monitoring the implementation of recommendations from auditors</i> • <i>Encouraging ownership of the internal control framework by appropriate managers</i> • <i>Raising significant concerns over controls with</i> 	The P&A Committee receives updates on implementation of Internal Audit recommendations at each regular meeting.	5

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.
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	<i>appropriate senior managers</i> 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
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> • <i>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking</i> • <i>Monitoring improvements</i> • <i>Holding risk owners to account for major/strategic risks</i> 	The P&A Committee reviews the Corporate and Strategic Risk Registers quarterly. Senior management present at meetings to answer members concerns.	5
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> • <i>Specifying its assurance needs, identifying gaps or overlaps in assurance</i> • <i>Seeking to streamline assurance gathering and reporting</i> • <i>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit</i> 	The P&A Committee reviews and approves the Corporate Risk Management Framework and Strategy.	5
5. Supporting the quality of the internal audit activity, particularly by underpinning its organizational independence	<ul style="list-style-type: none"> • <i>Reviewing the audit charter and functional reporting arrangements</i> • <i>Assessing the effectiveness of internal audit arrangements and supporting improvements</i> 	Internal Audit Charter was approved by the committee in November 2013, which requires the Audit Manager to provide an Annual Report on Internal Audit performance and give an overall Audit opinion on authority's the internal controls. An Internal Audit Progress Report is presented at each ordinary meeting of the committee.	5

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6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<ul style="list-style-type: none"> • <i>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place</i> • <i>Reviewing the effectiveness of performance management arrangements</i> 	<p>P&A Committee in its normal course of business reviews Performance Management, Risks and Governance, receiving quarterly Performance Management reports and calling in senior managers to discuss concerns over performance indicators</p> <p>Weakness – does not currently get involved in reviewing major projects and programmes. The Committee is closely aligned to the Scrutiny Committee which is more closely involved in reviewing major projects and policies.</p>	4
7. Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> • <i>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee</i> • <i>Considering how performance in value for money is evaluated as part of the AGS</i> 	<p>The Committee is supportive of any development of robust arrangements for value for money. In particular it receives an annual report from the External Auditor on their assessment of the Council's delivery of value for money</p>	5

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8. Helping the authority to implement the value of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> • <i>Reviewing arrangements against the standards set out in CIPFA's Managing the Risk of Fraud (Red Book 2).</i> • <i>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</i> • <i>Assessing the effectiveness of ethical governance arrangements for both staff and governors</i> 	<p>"Managing the Risk of Fraud – Actions to Counter Fraud and Corruption" is a 2006 CIPFA publication which has been superseded by more recent publications, in particular the Audit Commission's Protecting the Public Purse (November 2013). The Committee received a reports on the Council's counter fraud arrangements in line with this publication in February 2014.</p>	5
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<ul style="list-style-type: none"> • <i>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English</i> • <i>Reviewing whether decisions making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency</i> 	<p>The Annual Report seeks to use appropriate language. The Committee is open to members of the public to attend and address the meeting Minutes and Agenda are published There is currently a trail of live broadcasting of committee meetings</p>	4

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