

2014/15 Performance & Audit Committee Self-assessment of Good Practice & Evaluation of Effectiveness 14 April 2015

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?	yes			The functions of the P&A Committee in sections 6.1 to 6.6 of the Terms of Reference cover the core functions of an audit committee as identified in the 2013 CIPFA guidance.
4	Is the role and purpose of the audit committee understood and accepted across the authority?	yes			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	yes			At its July 2014 meeting the P&A Committee approved the 2013/14 draft Annual Governance Statement (AGS). The 2014/15 draft AGS will be presented for approval at its July 2014 meeting. The P&A Committee receives the Internal Audit

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					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 for 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 will be reviewed and revised if considered 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	yes			This was an areas of weakness identified in last year's self-assessment which has been addressed with the formation of the Counter Fraud Working Group which now reports through the Internal Audit Manager at least annually to the P&A Committee, the first report having been made to the Committee in November 2014.

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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 July 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			Previously there was 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. This has been addressed and the P&A Committee receive reports from the new Counter Fraud Working Group at least annually.
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 P&A 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 External Auditors have raised no concerns over the appropriate knowledge and skills of the committee Chairman. Four the past four years, the P&A Committee has been chaired by a Members who is a Chartered Company Secretary, a Fellow of the Institute of Company Secretaries& Administrators and 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?	yes			External Auditors provide a briefing note at each committee meeting on new developments and issues of importance to the P&A 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 address the weakness identified in last year's self-assessment, bespoke training was organized for the Committee in October 2014 which was well attended and positively received.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			no	There has been no formal assessment but it is felt that the P&A Committee has performed well with a good mix of skills allowing for robust exchanges of views and giving opportunity to bring particular knowledge and skills to the committee. This informal assessment has been considered to be satisfactory, but should be an action for the new P&A Committee to consider.

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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 P&A 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.
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	There has not been any evaluation of how the P&A Committee is adding value to the organization. There is felt to be some merit in understanding how this could be done and how other Audit Committee have addressed this point. This should be an action for the new committee to consider.
20	Does the committee have an action plan to improve any areas of weakness?			no	Areas identified as those requiring improvement in last year's self-assessment were addressed without an action plan being drawn up e.g. training was addressed by the bespoke training arranged for the P&A Committee. It is considered that no significant area of weakness have been identified in this year's self-assessment, the need for an action plan to address any weaknesses identified should be for the new committee to consider.

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
<p>1. Promoting the principles of good governance and their application to decision making</p>	<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>Last year's self-assessment identified weakness in working with partner audit committees; the example given was the North Essex Parking Partnership (NEPP). The day to day working relationship with NEPP has undergone some improvement during the year. The P&A committee will continue to monitor this.</p>	<p>4</p>

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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.
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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 appropriate senior managers</i> 	<p>The P&A Committee receives updates on implementation of Internal Audit recommendations at each regular meeting. Recommendations of External Auditors are reported in full and officers are instructed to evidence that areas identified by External Audit e.g. Housing Benefits have received close attention as part of a programme to improve the internal control environment. There is strong evidence of ownership by managers of the internal control framework.</p>	5
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> 	<p>The P&A Committee reviews the Corporate and Strategic Risk Registers quarterly. The Chief Executive, Section 151 Officer and Senior Management and Cabinet Members are present at meetings to answer members concerns. Considerable discussions have taken place on risk areas</p>	5

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		including the Local Plan, Recycling & Costs. There is good evidence of risk owners being held to account by the Committee.	
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 reviewed and approved the (revised) Corporate Risk Management Framework and Strategy during 2012/13. This will be the subject of a routine review during the course of 2015/16 when it will be assessed for its effectiveness.	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 February 2015, 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 as a standing item of business and	5
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		<p>issues of concern are raised by Internal Audit as and when required. Internal Audit has appropriate reporting lines to the Monitoring Officer and to the Chair of the P&A Committee both of which help ensure Internal Audits independence.</p>	
<p>6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements</p>	<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>The area of weakness identified in last year's self-assessment remains as the P&A Committee does not have projects and programmes in its brief; these are currently the responsibility of the Scrutiny Committee. The</p>	<p>4</p>

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		P&A Committee works closely with Scrutiny to ensure it is in the position to fulfil this aspect of its responsibility fully.	
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> 	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	5
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> 	"Managing the Risk of Fraud – Actions to Counter Fraud and Corruption" is a 2006 CIPFA publication which has been superseded by the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption (October 2014) and other publications such as the Audit Commission's Protecting the Public Purse (November 2014).	5

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		<p>The P&A committee received a report from the Internal Audit Manager on the Council's counter fraud arrangements in November 2014 which included:</p> <ul style="list-style-type: none"> • Update on recommendations made in the 2013 Fraud Risk Assessment; • Work to date of the Counter Fraud Working Group; • Information on the launch of the new CIPFA Counter Fraud Centre whose remit is to lead and co-ordinate the fight against fraud and corruption across the public services • Details of the National Fraud Initiative (NFI) work undertaken. <p>Further reports relating to counter fraud and corruption matters and the revised and updated Counter Fraud and Corruption Strategy & Policies will be presented to the Committee during 2015/16</p>	

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<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<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. As a result of a trial of live broadcasts of Council meetings, the September meeting of the P&A Committee at which the Council's Statement of Accounts were approved was broadcast live and the recording is available on the Council's website; there are proposals to further expand the live broadcast and recording of other meetings of the P&A Committee and other committees. The P&A Committee requested expansion of detail in the Statement of Accounts to provide additional information on staff numbers, staff costs and pension liability.</p>	<p>5</p>

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