

Bolsover District Council

Audit Committee

18th January 2016

<p>Evaluate the Role and Effectiveness of the Audit Committee</p>
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Report of the Executive Director Operations

This report is public

Purpose of the Report

- To facilitate Members of the Audit Committee undertaking a self-assessment of the operation of the Committee to enable them to form a view as to the effectiveness of the Committee and to agree any actions which are necessary in order to make it more effective.

1 Report Details

- 1.1 The Audit Committee plays a key role in the governance arrangements of all local authorities. As such an effective Audit Committee is crucial to secure the effective operation of governance arrangements within the Council. Given the importance of the Committee's role it is crucial that the Committee gives regular consideration to its effectiveness in practice.
- 1.2 In order to evaluate the effectiveness of the Committee this report sets out the criteria agreed by CIPFA / SOLACE as being appropriate benchmarks against which to measure the performance of an Audit Committee. These are attached as **Appendix 1** to this report and will be discussed by the Committee at the meeting in order to arrive at a self evaluation.

2 Conclusions and Reasons for Recommendation

- 2.1 To enable that the Audit Committee to undertake a structured self assessment of its effectiveness.

3 Consultation and Equality Impact

- 3.1 There are no issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Given its role in ensuring the effective operation of the Council it is appropriate that the Audit Committee undertakes a regular self-assessment of its performance. The main alternative of not undertaking a self assessment is therefore rejected.

5 **Implications**

5.1 **Finance and Risk Implications**

There are no issues arising directly from this report.

5.2 **Legal Implications including Data Protection**

There are no issues arising directly from this report.

5.3 **Human Resources Implications**

There are no issues arising directly from this report.

6 **Recommendations**

- 6.1 That the Audit Committee undertake a self assessment concerning the effectiveness of its performance against the criteria established by CIPFA/SOLACE.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	Not Directly
Links to Corporate Plan priorities or Policy Framework	All

8 **Document Information**

Appendix No	Title	
1	Questions for Audit Committee Members to Ask: Governance – Extracted from CIPFA / SOLACE: Delivering Good Governance in Local Government (2012)	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)		
Report Author		Contact Number
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Questions for Audit Committee Members to Ask: Governance – Extracted from CIPFA / SOLACE: Delivering Good Governance in Local Government (2012)

The self assessment concerning the operation of the Audit Committee will be undertaken against the criteria set out in the above publication. In order to assist Members in developing a view these criteria are set out below. The assessment covers the six principles of good governance.

To assist the Committee the Executive Director – Operations (Chief Financial Officer) has provided comments in response to the issues raised by CIPFA / SOLACE. These comments are intended to demonstrate why it could be considered that appropriate arrangements are in place. It is for the Committee to take a view as to the appropriateness of these comments and to conclude whether existing arrangements are satisfactory.

1 Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Does the internal audit strategy meet our needs?			
The Head of the Internal Audit Consortium produces an Internal Audit Plan at the outset of each financial year and provides formal monitoring reports concerning progress against that plan at regular intervals during the course of the year. The Audit Committee formally approves the Audit Plan and it is agreed by both External Audit and the Director of Operations (S151 Officer).			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are the authority’s key risks still relevant to the current strategic objectives?			
These are kept under review in the preparation of the Plan. Internal Audit have access to both Members / Officers and to all key Council reports, performance and financial data and therefore are in an appropriate position to ensure that the report reflects changing risks.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

2 Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

Does the internal audit reporting line ensure that audit recommendations are given due weight and attention?
The Audit Committee and SAMT consider the outcome of all internal audit reports, with

the Audit Committee receiving a copy of all reports that are marginal or unsatisfactory. The implementation of agreed recommendations is formally monitored through the Council's Performance Management arrangements.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

How are external auditors co-ordinating their work with the authority's internal auditors?

External and Internal Audit undertake such liaison as they consider to be appropriate.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is a common definition of risk used across the authority?

The authority has a Risk Management Strategy which is applied across the authority; this Strategy has recently been updated, with training provided for both Officers and Members.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

3 Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Are the internal auditors free from any other responsibilities that could impair their independence?

The Chief Financial Officer is of the view that this requirement is met by the Council, and that Internal Audit have no routine managerial duties. It should be noted that the Internal Audit service is delivered by a consortium arrangement hosted by Chesterfield Borough Council.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are procedures followed consistently with the need to achieve value for money?

The Council is actively promoting a culture based upon effective performance

management and robust budgetary control. When these are applied against a background of an on-going reduction in the level of financial resources available then these will provide powerful incentives to securing VFM.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

What steps are being taken to discharge the duty to promote and maintain high standards of conduct?			
This is assessed as part of the process of preparing the Annual Governance Statement and that assessment was outlined in a report to the June 2015 meeting.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

4 Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Do internal and external auditors receive the necessary degree of co-operation?			
In the view of the Executive Director Operations the necessary degree of co-operation has been provided. He is not aware of any issues where appropriate co-operation has not been provided. Internal Audit have extensive powers of access granted under the Council's Constitution, together with a right to report independently to both senior Officers and this Committee. The External Auditors would comment on any such failings through their communications with the Council.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Where internal audit budgets are being reduced, how will the level of assurance be maintained?			
While Internal Audit budgets have been reduced careful consideration has been given to the risks faced by the Council and the level of resource (audit days) within the Audit Plan has been benchmarked against the Plans of other similar local authorities.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Have there been any attempts to restrict the scope of the internal auditors' work in any way?

Not in the opinion of the Chief Financial officer. The Head of the Internal Audit Consortium would have a responsibility to report any such concerns.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

How is the efficiency and effectiveness of internal audit demonstrated?

The Audit Committee receives regular reports which should put it in a position to reach an informed view. The Chief Financial Officer provides a report to the Audit Committee on an annual basis which assesses the effectiveness of internal audit. The report relating to 2014/15 was considered at the 22nd June 2015 meeting of this Committee.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Do the internal or external auditors have any concerns about management's control awareness or operating style?

Any such concerns will be raised as part of their routine reporting process. Both internal and external audit are aware of their right to report any concerns to the Audit Committee, or to any member of the Senior Management Team.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Does the audit committee have all the assurances it needs to meet its responsibilities and ensure the authority meets its statutory duties?

The Chief Financial Officer seeks to ensure that the Authority's business is conducted in line with statutory duties and good practice. One of the intended outcomes from this report and self-assessment is that the Audit Committee should consider its role in the organisation and whether it undertakes its functions effectively.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is there effective assurance across all key areas?

The Annual Governance Report, this self-assessment, the reports of External and

Internal Audit should inform the Audit Committees views on this matter.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is the audit committee over-reliant on internal and external audit for assurance? Are there other sources of assurance that should be considered?			
The Annual Governance Statement – including supporting papers – together with this self-assessment should enable the Audit Committee to give appropriate consideration to this issue.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Have all staff had the opportunity to contribute to identifying the risks the authority faces?			
Service Plans which are provided by all sections incorporate a Service Risk Register which needs to be agreed by the teams themselves. The Quarterly Finance, Performance and Risk meetings provide an opportunity to input into and influence both Service and Strategic Risk Registers.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is risk management part of all planning and decision-making processes?			
All reports to Committee include a section on risk, projects have Risk Registers and management processes highlight the importance of giving appropriate consideration to Risk. Senior Officers have recently received refresher training in respect of Risk.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Is risk management integrated with the authority's other procedures?			
Risk is considered alongside Performance and Finance as part of the Council's Performance Management framework.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of	1. Council does not have appropriate arrangements in

		improvement	place.

Are appropriate procedures in place to ensure adequate user involvement in the development of new systems and major systems changes, including the design of control checks and balances?

All projects are managed through a project group which includes representatives of all stakeholders.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Has the authority implemented national counter-fraud standards?

The Audit Committee receives updates on this issue from the Internal Audit Team and the Executive Director – Operations, which seek to demonstrate that the authority is complying with national standards.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

5 Good governance means developing the capacity and capability of members and officers to be effective

Are there appropriate training and induction procedures for audit committee members?

It is appropriate that the Audit Committee comes to its own view on this issue. This report is part of a wider programme of developing self awareness within the Committee.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.
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Does the audit committee periodically assess its own effectiveness?

This report / process is intended to secure that objective. It is intended that an appropriately updated version of this report this report will be brought back to Audit Committee on an annual basis.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Do internal audit staff have sufficient technical and professional knowledge and experience to ensure that audits are performed to appropriate professional standards? Is there sufficient systems expertise to deal with the level of technology used by the authority?

The Executive Director presented a report to the June meeting of this Committee providing his assessment of the effectiveness of Internal Audit which concluded that the service was an effective one. The Audit Committee has a significant level of contact with the Internal Audit service.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Does the authority run training sessions on risk management for new staff?

While the Corporate Induction process provides a brief introduction where risk management is a significant part of any role it will be incorporated into the person specification which will ensure that only suitably experienced qualified people will be appointed. Where necessary appropriate training will be arranged.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Has the authority assessed itself against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government? Are there any issues to address?

This was undertaken as part of the process of preparing the Annual Governance Statement which concluded the authority was fully compliant. Copies of the CIPFA Statement can be provided on request.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Has the authority assessed itself against the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations? Are there any issues to address?

This was undertaken as part of the process of preparing the Annual Governance Statement which concluded the authority was fully compliant. Copies of the CIPFA Statement can be provided upon request.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

6 Good governance means engaging with local people and other stakeholders to ensure robust local public accountability

Does the authority’s annual governance statement reflect reality?			
The Chief Financial Officer is of the view that is based upon an appropriate assessment which took account of any relevant sources of information. The Annual Governance Statement has been subject to consideration by the Audit Committee, by the Senior Alliance Management Team, by Internal Audit and by External Audit (KPMG). This should ensure effective scrutiny of the contents.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Does the annual governance statement reflect compliance?			
The Annual Governance Statement is subject to consideration by the Audit Committee, by the Strategic Alliance Management Team and by External Audit (KPMG). This should ensure effective scrutiny of the contents.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Are there areas where the authority does not comply with relevant guidance?			
Not to the knowledge of the Chief Financial Officer. Should such areas be identified then the authority will either move to ensure compliance or will report such noncompliance appropriately.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Did any circumstances prevent adherence to the agreed timetable for preparing and auditing accounts? Did any delays result in an audit overrun?			
The Council has consistently prepared its accounts in line with statutory / audit requirements.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Do the authority’s financial statements satisfy all statutory and regulatory disclosure requirements to which the authority is subject?			
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Officers will take appropriate steps to ensure that the Council remains fully compliant. The work of officers will be subject to independent External Audit and subject to Member and Audit Committee scrutiny. The accounts themselves are a public document which is fully accessible for wider public scrutiny.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

7 Ensuring Effectiveness

For audit committees to be effective, they should have:

Clear, distinct and up-to-date terms of reference

The Terms of Reference are set out in the Council's Constitution which are reviewed on a regular basis. The relevant section of the Constitution sets out the role of the Audit Committee as follows:

AUDIT COMMITTEE

1. Statement of Purpose

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment. The Audit Committee will also oversee the Authority's corporate governance arrangements.

2. Reporting Framework

The Audit Committee will report directly to the Council, and provide information to the Executive for action, whilst maintaining its independence.

3. Membership and Structure of Meetings

The Audit Committee will have a membership of six plus one co-opted member and reflect the political composition of the Council. A quorum will constitute at least three members of the Committee. The Chair and Vice Chair of the Committee will be elected from its membership. The Audit Committee will meet at least four times per year.

4. Principal Responsibilities

(1) To ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions to include the following:-

- i) Arrangements for the assessment and management of risk within the Authority and ensuring they are embedded within the organisation.
- ii) Approving and modifying the terms of reference and strategy for internal audit.
- iii) Receiving and approving the annual internal audit plan and reviewing the external audit plan.
- iv) Receiving quarterly reports on the progress against the annual audit plan.
- v) Reviewing and adopting the Annual Governance Statement.
- vi) Reviewing the Council's anti-fraud policy.

- (2) To consider the Council's Code of Corporate Governance and approve the annual statement in that respect.
- (3) To review, scrutinise and approve the Draft Statement of Accounts as soon as possible after 30th June and prior to review by External Audit and report such to Council.
- (4) To consider the External Auditors findings from their review of the Statement of Accounts.
- (5) To consider and approve, after review by External Audit, if the review is available, the Statement of Accounts and report such to Council. The date by which this must be achieved is 30th September each year.
- (6) To review and adopt the detailed and summary Annual Governance Statement in light of the Internal Audit Annual review, report on the effectiveness of Internal Audit, Governance letters and the financial details shown in the statement of Accounts. In addition when these items are scheduled for consideration the Leader, Deputy Leader and the appropriate Cabinet member would be invited to attend the Audit Committee and participate in the debate and discussion, but no voting rights would be associated with the invitation.
- (7) To review the Council's internal audit function and monitor performance.
- (8) To monitor and ensure implementation of internal and external audit recommendations.
- (9) To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

An appropriate place within the governance structure of the authority and effective reporting arrangements

The Audit Committee should consider this issue in the light of the Council's Constitution. The reporting framework as established by the Constitution is as follows: "The Audit Committee will report directly to the Council, and provide information to the Executive for action, whilst maintaining its independence."

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Members that are fully aware of their role, appropriately trained and independent minded.

This self-assessment should help ensure that Members are fully aware of their role. The Audit Committee itself will need to form a view as to the other issues raised by this question.

4. Fully	3. Arrangements	2. Arrangements in need of	1. Council does not have appropriate arrangements in
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Compliant	fit for purpose	improvement	place.

A skilled chair supported by members with financial and audit expertise

Audit Committee Members are selected on the basis that they have appropriate skills and experience. Ultimately the Audit Committee itself will need to form a view as to the other issues raised by this question.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

An appropriate balance of expertise, experience, continuity and political neutrality to discharge its responsibilities

This is covered in the Constitution. Ultimately, however, the Audit Committee itself will need to form a view as to the other issues raised by this question.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Officer support (including a secretary role)

The Committee is supported by the Chief Financial Officer, Internal Audit and by the Governance Team. Other officers attend where appropriate.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

A clearly set out and agreed (but flexible) annual work plan

The Audit Committee undertakes an annual work plan with its agenda determined by the wider financial and governance timetables that are operational within the Council. The annual work Plan is not, however, subject to formal agreement.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

A wide-ranging agenda that reflects the governance, risk and control priorities of the authority

The Audit Committee is structured around a consideration of key reports on Finance and Risk which are prepared for the 'Executive'. It has a Key Issues of Financial Governance report at every meeting which allows it to monitor progress against underlying Governance issues facing the Council.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Access to other committees/information as required

The Committee's rights are set out in the Constitution and it can require that it receives information which it considers to be appropriate to the conduct of its business.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Agenda papers circulated well in advance of the meetings

The aim is to ensure that all reports are circulated at least 5 working days before the meeting.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Meetings arranged on a regular basis

The Committee has approximately 6 meetings a year which are spread throughout the year.

4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

Engagement with a wide range of services in accordance with the risks under review

Executive Members, Directors and other officers may be requested to attend meetings as required.

4. Fully	3. Arrangements	2. Arrangements	1. Council does not have
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Compliant	fit for purpose	in need of improvement	appropriate arrangements in place.

Regular assessment of performance as a committee.			
This report is intended to secure that objective. It is intended that an appropriately updated version of this report will be brought back to Audit Committee on an annual basis in line with the reporting of the Annual Governance Statement.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.