

# Audit & Governance Committee Self-Assessment on Performance & Effectiveness

The Chartered Institute of Public Finance and Accounting (CIPFA) published guidance in 2018 on the function and operation of audit committees in local authorities [Audit Committees - Practical Guidance for Local Authorities and Police 2018](#). It is considered best practice for audit committees in local authorities throughout the UK.

The below has been extracted from this best practice material to aid the audit committee in performing a self-assessment on their performance and effectiveness. The results of this review can then be used to determine areas of improvement and any resulting constitutional changes required.

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## Executive Summary

The self-assessment on performance and effectiveness was centred around three key areas: audit committee purpose and governance; core functions & other possible functions; and structure and effectiveness.

There were 25 good practice self-assessment questions and the majority of these were found to be met or partly met by the Audit and Governance Committee (AGC) with only 4 questions not being formally addressed. The areas not formally addressed were in relation to assessing the committee's core knowledge and skills sets and evaluating and reporting on performance and whether the AGC is adding value to Herefordshire Council. Below is a summary of the strengths and areas for improvement together with a summary of action plans resulting from the review.

	Strengths	Areas for improvement
Audit Committee purpose and governance	<ul style="list-style-type: none"><li>• There is a dedicated audit committee</li><li>• The terms of reference clearly set out the AGC purpose</li></ul>	<ul style="list-style-type: none"><li>• The arrangements to hold the committee to account for its performance are not clear</li><li>• There is no annual report to full council</li></ul>
Functions	<ul style="list-style-type: none"><li>• The constitution references or at least partly references all the best practice core areas</li><li>• The AGC has considered wider areas of responsibility such as the waste loan contract and ethical values</li><li>• AGC has maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose</li></ul>	<ul style="list-style-type: none"><li>• Arrangements addressing partnership and collaboration arrangements, value for money or best value and counter fraud and corruption could be improved</li><li>• The constitution could be more aligned to best practice in areas such as Internal Audit</li><li>• An annual evaluation of effectiveness could be undertaken</li></ul>
Structure & Effectiveness	<ul style="list-style-type: none"><li>• The AGC is separated from the executive</li><li>• The size of the AGC is consistent with other councils</li><li>• Arrangements are in place to support the AGC with briefings, training and administrative support</li><li>• The AGC engages with a wide range of leaders and managers</li></ul>	<ul style="list-style-type: none"><li>• Annual skills analysis of members could be undertaken to inform future training and the consideration to appoint an independent person</li><li>• The AGC does not seek feedback on its performance</li></ul>

## Summary of Action Items

Proposed Action		Self-Assessment Reference	
1.	<p>Currently the AGC reports to full council on an ad hoc basis, however, there is no formal report which allows Members to comment and challenge the committees work.</p> <p>AGC to undertake an annual effectiveness review in line with Proposed Action 10.</p> <p>After a period of no longer than two years, consideration be given to reintroducing an annual assurance report to full council which could act as the mechanism to allow the AGC to report upon its annual effectiveness and to allow full council to hold AGC to account.</p>	2	Does the audit committee report directly to full council?
		5	Does the audit committee provide support to the authority in meeting the requirements of good governance?
		6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?
		23	Has the committee evaluated whether and how it is adding value to the organisation?
		25	Does the committee publish an annual report to account for its performance and explain its work?
2.	Member training be undertaken highlighting the differing roles between AGC and Scrutiny.	4	Is the role and purpose of the audit committee understood and accepted across the authority?
3.	<b>Value for Money:</b> Consider the role of AGC in overseeing the value for money objectives and strategies within the Council and assessment on the effectiveness of these arrangements.	7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?
		5	Does the audit committee provide support to the authority in meeting the requirements of good governance?
4.	<b>Good Governance:</b> It is recommended that the following is removed from the Constitution: Part 3 – Functions Section 3.5.12 section i) Adopt an audit and governance code.	7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?
		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?

Proposed Action		Self-Assessment Reference	
5.	<b>Assurance Framework &amp; Partnership Governance:</b> Ensuring the adequacy of governance and risk management over partnerships and collaboration agreements can be complicated. The role of AGC in relation to these arrangements should be clearly defined.	7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?
6.	<b>Internal Audit:</b> AGC oversees IA activity that is not referred to within the constitution. Review the CIPFA suggested terms of reference for Audit Committees within Local Authorities and consider updating the constitution where appropriate		
7.	<b>External Audit:</b> Remove 'once a year' in Part 3 – Functions Section 3.5.11 section C		
8.	<b>Counter Fraud &amp; Corruption:</b> Consideration be given to updating the function scheme so that more detail is provided in connection with the anti-fraud, bribery and corruption strategy.		
9.	<b>Ethical Values:</b> The monitoring officer has delegated authority in relation to granting dispensations under s33 (2) Localism Act 2011. Any granted dispensations should be reported to the next available AGC meeting to aid openness and transparency.		
10.	It is recommended that an effectiveness review including a review of committee member skills and training requirements is undertaken annually.	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?
11.	Given the specialist nature of treasury management, AGC to consider if current arrangements for the oversight and scrutiny of Treasury Management is adequate. This should also include whether the waste contract requirements can be reported on an exception basis or be included in general treasury management reporting.	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?

Proposed Action		Self-Assessment Reference	
12.	<b>Appropriate mix of knowledge and skills</b> Undertake skills analysis of committee members to determine training requirements and potential need for an independent person. The skills matrix should address both core areas and specialist areas that may be beneficial to the effective operation of the committee.  Good working relations with key people and organisations, including external audit, internal audit and the CFO to be further explored as part of core skill of organisational knowledge.	12	Has an effective audit committee structure and composition of the committee been selected?
		16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?
		17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?
		20	Are meetings effective with a good level of discussion and engagement from all the members?
13.	AGC to discuss how feedback could be obtained upon its performance eg via annual report to full Council, annual survey monkey questionnaire.	19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?

## Audit Committee Purpose and governance

### ***Extract from position Statement***

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership together with support and openness from the authority.

The principal areas where the committee can influence and add value are:

- promoting the principles of good governance and their application to decision making;
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment;
- supporting arrangements for the governance of risk and for effective arrangements to manage risks;
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions;
- aiding the achievement of the authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements;
- supporting the development of robust arrangements for ensuring value for money;
- helping the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption; and
- promoting measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community.

Good Practice Self-Assessment Questions

Question		Yes/No/ Partly	Evidence
1	Does the authority have a dedicated audit committee?	Yes	<ul style="list-style-type: none"> <li>Constitution: <a href="#">Section 5 other functions, Article 7</a> (Role &amp; Composition)</li> <li><a href="#">Actual meetings</a></li> </ul>
2	Does the audit committee report directly to full council?	Partly	<p>AG does ad hoc reporting to Full Council. For example, <a href="#">Re-Thinking Governance Report</a> item 16 Friday 9 October 2020.</p> <p>There is currently no annual report.</p> <p>AGC to undertake an annual effectiveness review in line with Action 10.</p> <p><b>Action 1: After a period of no longer than two years, consideration be given to reintroducing an annual assurance report to full council which could act as the mechanism to allow the AGC to report upon its annual effectiveness and to allow full council to hold AGC to account.</b></p>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Yes	Constitution 3.5.9 The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Partly	<p>The role and purpose of the audit committee is clearly articulated within the Constitution per references in question 1 above. However, based on the work performed by the Re-thinking Governance working group to date, the differing roles and responsibilities of AGC and scrutiny could be further improved with member development training.</p> <p><b>Action 2: Recommend member training be undertaken highlighting the differing roles between AGC and Scrutiny.</b></p>

Question		Yes/No/ Partly	Evidence
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Partly	<ul style="list-style-type: none"> <li>• Constitution 3.5.12 addresses AGC Governance activities</li> <li>• Work program addresses governance activities</li> <li>• Governance areas identified for improvement are outlined in the AGS and are monitored by AGC</li> <li>• Working groups are established when required eg. biennial review of constitution this year has seen the development of the re-thinking governance working group.</li> </ul> <p>Action 1: After a period of no longer than two years, consideration be given to reintroducing an annual assurance report to full council which could act as the mechanism to allow the AGC to report upon its annual effectiveness and to allow full council to hold AGC to account.</p> <p>Action 3: Consider the role of AGC in overseeing the value for money objectives and strategies within the Council and assessment on the effectiveness of these arrangements.</p>
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Partly	<ul style="list-style-type: none"> <li>• Members or Public are able to <a href="#">ask a question</a> at each committee meeting.</li> <li>• Fully embedded <a href="#">complaints process</a> is in place</li> </ul> <p>Although no complaints have been received from Full Council, there is no formal report which allows Members to comment and challenge the committees work.</p> <p>Action 1: After a period of no longer than two years, consideration be given to reintroducing an annual assurance report to full council which could act as the mechanism to allow the AGC to report upon its annual effectiveness and to allow full council to hold AGC to account.</p>



## Functions of an audit committee

### ***Extract from position Statement***

4. The core functions of an audit committee are to:
  - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
  - in relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance and professionalism
    - support the effectiveness of the internal audit process
    - promote the effective use of internal audit within the assurance framework
  - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
  - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
  - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
  - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
  - review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
5. An audit committee can also support its authority by undertaking a wider role in other areas including:
  - considering governance, risk or control matters at the request of other committees or statutory officers
  - working with local standards and ethics committees to support ethical values
  - reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
  - providing oversight of other public reports, such as the annual report.

## Good Governance & the Annual Governance Statement (AGS)

[Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes from [Delivering Good Governance in Local Government: Guidance Notes for English Authorities](#) (CIPFA/Solace, 2016). English local authorities under the [Accounts and Audit Regulations 2015](#) must approve and publish the AGS by 31 July at the latest for the financial year starting 2017 and thereafter.

To provide a meaningful review of the AGS, the audit committee should be in a position to draw on knowledge of the governance arrangements as they are established and on assurances of how they have operated in practice during the course of the year. The audit committee should undertake the following activities to discharge their responsibilities:

- review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted);
- ensure that the AGS is underpinned by a framework of assurance;
- over the course of the year, receive reports and assurances over the application of the governance arrangements in practice;
- monitor implementation of action plans or recommendations to improve governance arrangements; and
- consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

### Assurance Framework & Partnership Governance

Authorities may have developed a description or diagram explaining what assurances exist and who is responsible for them. Whether or not there is a formally set-down assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should be seeking to ensure that assurance is planned and delivered with the following objectives in mind:

- clarity of what assurance is required
- clear allocation of responsibility for providing assurance
- avoiding duplication, bearing in mind the differing objectives of assurance activities
- improving the efficiency and cost effectiveness of assurance
- obtaining assurance of appropriate rigour and independence across a range of assurance providers.

In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk.

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises. Authorities may also be the accountable body for local enterprise partnerships (LEPs).

Ensuring the adequacy of governance and risk management over partnerships and collaboration agreements can be complicated, but it is very important as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined. The audit committee's role should be to consider:

- the assurance available on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively.
- the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance and obtain assurance on compliance.
- what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and standards of probity are maintained.
- where an authority is developing new partnership or collaboration arrangements, receive assurance over governance matters at the project stage and seek clarity over its own

responsibilities in relation to the governance arrangements of the new service delivery organisation.

- the coverage of assurances that underpin the AGS to make sure that partnerships are adequately covered. Where an organisation of which the authority is a partner does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body in order to support the CFO.

## Internal Audit

All principal local authorities subject to the [Accounts and Audit Regulations 2015](#), must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) and FIGFA's Local Government Application Note (LGAN).

The role of the audit committee in relation to internal audit is discussed in more detail within the CIPFA guidance document, however, in summary is to:

- oversee its independence, objectivity, performance and professionalism;
  - Review and approve IA charter, risk-based IA plan, IA budget and resource plan
  - Receive confirmation of the organisational independence of the IA audit activity
  - Consider the appointment and removal of the head of IA or the award of a contract for IA services
  - Review scope or any resource limitations
  - Review safeguards in place to limit impairments to independence and objectivity if IA undertake additional roles/responsibilities outside internal auditing
  - Receive the annual report including the annual opinion summary of work, statement of conformance with PSIAS and the LGAN and results of the quality assurance and improvement programme
  - Discuss with IA the form of the external assessment and the qualifications and independence of the assessor
- support the effectiveness of the internal audit process;
  - receive updates on IA work including key findings, issues of concern and action in hand
  - receive communications from IA on performance relative to its plan and other matters
  - give approval to IA for any significant additional consulting services not already included in the audit plan, prior to internal audit accepting an engagement
  - receive reports on instances where IA does not conform to the PSIAS or LGAN and consider whether the non-conformance is sufficiently significant that it must be included in the AGS
  - oversee the relationship of IA with other assurance providers and with external audit and any inspectorates
  - receive regular reports on the results of the quality assurance and improvement programme (QAIP), including the external assessment.
- promote the effective use of internal audit within the assurance framework.
  - approve (but not direct) the risk-based plan, considering the use made of other sources of assurance

- receive reports outlining the action taken where IA has concluded that management has accepted a level of risk that may be unacceptable to the authority
- when considering the AGS, take into account IA's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control.

## External Audit

In England, for all opted-in bodies, Public Sector Audit Appointments (PSAA) appoints the auditor following consultation with the body. The audit committee's role in relation to the external audit process has three principal aspects:

- providing assurance that the external auditor team maintains independence following its appointment
  - Each year the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact, on independence and objectivity, together with any safeguards put in place. Usually this disclosure is included in the audit plan.
  - Potential threats to external independence include: self-interest; self-review; management; advocacy; familiarity (or trust); and intimidation.
- receiving and considering the work of external audit
- supporting the quality and effectiveness of the external audit process.
  - understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
  - considering the effectiveness of the external audit process, including: whether the external auditor has a good understanding of the authority; how the external auditor has responded to areas of audit risk; actions taken to safeguard independence and objectivity; and feedback from key people such as the responsible financial officer and the head of internal audit
  - reporting to the full council as appropriate on the results of its considerations.

## Financial Reporting

Audit committees may undertake a review of the statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. Their work could include:

- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the narrative report is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, eg provisions or reserves
- seeking assurances that preparations are in place to facilitate the external audit.

[Understanding Local Authority Financial Statements](#) (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval.

## Risk Management

The role of the audit committee in relation to risk management covers three major areas:

- Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks. The specific actions this requires include:
  - overseeing the authority's risk management policy and strategy and their implementation in practice
  - overseeing the integration of risk management into the governance and decision-making processes of the organisation
  - ensuring that the AGS is an adequate reflection of the risk environment.
- Keeping up to date with the risk profile and the effectiveness of risk management actions by:
  - reviewing arrangements to co-ordinate and lead risk management. An example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency
  - reviewing the risk profile and keeping up to date with significant areas of strategic risks and major operational or major project risks and seeking assurance that these risks are managed effectively and owned appropriately
  - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
  - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
  - overseeing any evaluation or assessment such as a risk maturity assessment or risk benchmarking
  - reviewing evaluation or assurance reports on risk management and monitoring progress on improvement plans
  - monitoring action plans and development work in the field of risk management practice.

Flexibility in the audit committee agenda to adapt to new or heightened risks will ensure that the committee is responsive and focused on priority issues.

## Value for Money (VfM) and Best Value

An authority should have in place arrangements to obtain assurance over its performance against VfM objectives and strategies. The role of the audit committee will need to be determined in the context of what other committees may be doing. For example, a scrutiny committee may oversee service reviews that consider performance against VfM objectives.

The role of the audit committee is most likely to focus on whether the authority's overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the AGS. The Framework emphasises that the AGS should be focused on outcomes and VfM.

One specific area of activity for the committee will be consideration of the external auditor's wider work as set out in the codes of audit practice and the statutory value for money conclusion as defined by the National Audit Office.

Where the external auditor has issued a qualified conclusion on VfM, the audit committee should ensure there is a robust action plan to address the issues raised. In addition, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

## Countering Fraud and Corruption

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the [Bribery Act 2010](#).

The [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014) (the Code) sets out the counter fraud standards for public sector organisations. Sector-specific strategies such as [Fighting Fraud and Corruption Locally](#) should also be considered, along with the CIPFA [Fraud and Corruption Tracker](#) (CFaCT). The committee should understand the level of fraud risk to which the authority is exposed and the implications for the wider control environment. The audit committee may also refer to the Internal Audit Standards Advisory Board's guidance [Internal Audit's Role in Counter Fraud](#), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

Oversight of counter fraud plans, resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community
- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

## Ethical Values

All Authorities have an overarching mission to serve the public interest in adhering to the requirements of legislation, government policies and should have regard to the Seven Principles of Public Life, known as the Nolan Principles. This makes it essential that the entire entity can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements to achieve this.

- The [Committee on Standards in Public Life](#) has recommended that Ethical standards issues should be included as regular items on board agendas or formally delegated to audit and risk committees for referral to the board as appropriate. Risks associated with poor standards should be included in risk assessments, and, where appropriate, risk registers. Mitigating strategies should be developed and monitored.
- As part of the annual governance review, the audit committee should consider how effectively the Seven Principles of Public Life are supported.
- As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the audit committee may wish to review the effectiveness of the whistleblowing arrangements.

## Other Possible Functions of an Audit Committee

[Consider matters at the request of statutory officers or other committees](#)

The committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control:

- Review whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area;
- Provide advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision

#### Ethics & Standard Committee Role

The audit committee's primary role in relation to standards and ethical conduct is to satisfy itself that there are appropriate arrangements in place, particularly in support of the AGS. Where the audit committee takes on the responsibilities of the standards committee, there should be a clear distinction between the two roles and responsibilities in the terms of reference and meeting agendas.

#### Treasury Management

##### Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

(CIPFA, 2017) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not require the audit committee to undertake that role and a local authority may nominate another committee instead.

Where the audit committee has been nominated, then it should be aware that it needs to undertake a scrutiny role in accordance with the Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management it would consider as an audit committee. The scrutiny role is likely to involve the following actions:

- developing greater awareness and understanding of treasury matters among the committee members
- reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory
- receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause 3 of the Code so the purpose of receiving regular reports should be clear
- reviewing the treasury risk profile and adequacy of treasury risk management processes
- reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area so it is likely that committee members will require training, guidance and support when undertaking scrutiny.

Question	Yes/No/ Partly	Evidence
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"> <li>• Good Governance</li> </ul>	Yes	<p>Council functions delegated to the AGC via Part 3 – The Functions Scheme, Section 1, Council Functions,</p> <ul style="list-style-type: none"> <li>• 1: Adopting and changing the constitution including standing orders (finance procedure rules and contract procedure rules).</li> <li>• 5: Consider the review of the effectiveness of the system of internal control required and approve the annual governance statement.</li> <li>• 35: Duty to approve the Council's statement of accounts, income and expenditure and balance sheet, or record of payments</li> <li>• 47B: Granting of dispensations under s33 (2) Localism Act 2011 Subsection (b) (d) and (e) audit and governance committee, Subsection (a) and (c) monitoring officer with appeal to audit and governance committee from 28 September 2012</li> </ul> <p>Governance addressed in Part 3 – Functions Section 3.5.12</p> <ol style="list-style-type: none"> <li>Overview of constitution with a biennial review</li> <li>Development of risk management &amp; corporate governance</li> <li>Review whistleblowing and anti-fraud &amp; corruption policy</li> <li>Oversee production of statement of Internal Control</li> <li>Review annually the governance process and system of internal control which inform the AGS</li> <li>Review corporate governance arrangements and actions to ensure compliance</li> <li>Annual review information governance requirements</li> <li>Agree AGS</li> <li>Adopt an audit and governance code</li> <li>Undertake community governance reviews and make recommendations to Council</li> </ol> <p>Action 4: The AGS is a summary of actions and behaviours taken by the council in relation to each of the core principles (based on "Delivering Good Governance in Local Government" framework – 2016"). There is no other specific audit and governance code in place. It is recommended that the following is removed from the Constitution: Part 3 – Functions Section 3.5.12 section i) Adopt an audit and governance code.</p>



Question		Yes/No/ Partly	Evidence
	<ul style="list-style-type: none"> <li>Assurance framework including partnerships and collaboration arrangements</li> </ul>	Partly	<p>Addressed in Part 3 – Functions Section 3.5.12</p> <p>h) To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, Caldicott guardian and equality and compliance manager reviews).</p> <p>Action 5: Ensuring the adequacy of governance and risk management over partnerships and collaboration agreements can be complicated. The role of AGC in relation to these arrangements should be clearly defined.</p>
	<ul style="list-style-type: none"> <li>Internal Audit</li> </ul>	Partly	<p>IA addressed in Part 3 – Functions Section 3.5.10</p> <p>(a) To consider the Head of Internal Audit's annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements</p> <p>(b) To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary</p> <p>(c) To consider reports dealing with the management and performance of the providers of Internal Audit Services</p> <p>(d) To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</p> <p>(e) To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee</p> <p>(f) The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.</p> <p>Action 6: AGC oversees activity that is not referred to within the constitution. Review the CIPFA suggested terms of reference for Audit Committees within Local Authorities and consider updating the constitution where appropriate eg.</p> <ul style="list-style-type: none"> <li>No specific mention to review and approve IA charter, risk-based IA plan, IA budget and resource plan</li> <li>Confirmation of independence of IA audit activity and review safeguards in place to limit impairments</li> <li>Appointment/removal of IA</li> <li>Approve any significant additional IA consulting services not already in plan</li> </ul>

Question		Yes/No/ Partly	Evidence
	<ul style="list-style-type: none"> <li>External Audit</li> </ul>	Yes	<p>External Audit is addressed in Part 3 – Functions Section 3.5.11</p> <p>(a) Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress</p> <p>(b) To consider specific reports from the External Auditor</p> <p>(c) To meet privately with the External Auditor <b>once a year</b> if required</p> <p>(d) To comment on the scope and depth of external audit work and to ensure it gives value for money</p> <p>(e) To recommend appointment of the council’s local (external) auditor</p> <p>(f) Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.</p> <p><b>Action 7: Remove ‘once a year’ in Part 3 – Functions Section 3.5.11 section C</b></p>
	<ul style="list-style-type: none"> <li>Financial Reporting</li> </ul>	Yes	<p>Addressed in Part 3 – Functions Section 3.5.14 Accounts</p> <p>To review and approve the Statement of Accounts, external auditor’s opinion and reports on them and monitor management action in response to the issues raised by external audit.</p> <p>Section 1, Council Functions, 35: Duty to approve the Council’s statement of accounts, income and expenditure and balance sheet, or record of payments. Audit and governance committee</p>
	<ul style="list-style-type: none"> <li>Risk Management</li> </ul>	Yes	<p>Addressed in Part 3 – Functions Section 3.5.12 Governance. See section above.</p>

Question		Yes/No/ Partly	Evidence
	<ul style="list-style-type: none"> <li>Value for money or best value</li> </ul>	Partly	<p>In the constitution, value for money is referred to in s.3.5.11 External Audit</p> <p>(d) To comment on the scope and depth of external audit work and to ensure it gives value for money</p> <p>(f) Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.</p> <p>There are currently no formal/clear objectives or strategies for the Council to achieve Value for Money (VfM) or best value. AGC reviews VfM in several areas which are not referred to within the Constitution eg. Review of procurement rules. VfM is also considered by the AGS and other committees eg. Scrutiny is reviewing waste &amp; BBLP contract, Cabinet are preparing a VfM strategy.</p> <p>Action 3: To consider the role of AGC in overseeing the value for money objectives and strategies within the Council and assessment on the effectiveness of these arrangements.</p>
	<ul style="list-style-type: none"> <li>Counter fraud and corruption</li> </ul>	Partly	<p>Addressed in section 3.5.12 (c) To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'.</p> <p>Greater granularity could be obtained in relation to the oversight, resources and effectiveness for the AGC to obtain assurance over counter fraud and corruption activity.</p> <p>Action 8: Consideration be given to updating the function scheme so that more detail is provided in connection with the anti-fraud, bribery and corruption strategy.</p>
	<ul style="list-style-type: none"> <li>Supporting the ethical framework</li> </ul>	Yes	<p>Addressed by section 3.5.14 Code of Conduct and 3.5.16 Standards panel.</p> <p>Section 1, Council Functions, Appendix 3.1.1 47B, Granting of dispensations under s33 (2) Localism Act 2011. Subsection (b) (d) and (e) audit and governance committee, Subsection (a) and (c) monitoring officer with appeal to audit and governance committee from 28 September 2012.</p> <p>Historically, the monitoring officer has granted dispensations at very short notice due to issues arising during meetings. Some members have questioned whether this allows for adequate openness and transparency.</p> <p>Action 9: The monitoring officer has delegated authority in relation to granting dispensations under s33 (2) Localism Act 2011. Any granted dispensations should be reported to the next available AGC meeting to aid openness and transparency.</p>

Question		Yes/No/ Partly	Evidence
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?	Partly	<p>The workprogram is specifically structured to follow the areas within the constitution. One area was identified as not being addressed in the 20/21 schedule which is picked up as part of this review - To adopt an audit and governance code (see Action 4).</p> <p>Action 10: It is recommended that an effectiveness review including a review of committee member skills and training requirements is undertaken annually.</p>
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	<p>Other areas that are currently addressed by the Constitution not considered a core best practice area include:</p> <ul style="list-style-type: none"> <li>Section 3.5.12 Waste contract. AGC is responsible to monitor the administration and risks associated with the loan with other elements of the waste contract the responsibility of general scrutiny.</li> </ul> <p>Wider areas identified by CIPFA include:</p> <ul style="list-style-type: none"> <li>Matters at the request of Statutory Officers or other committees: if these are brought to the AGC they would be considered in line with the Constitution and work programme</li> <li>Ethical Values - Addressed by section 3.5.14 Code of Conduct and 3.5.16 Standards panel.</li> <li>Treasury management is not undertaken by AGC as this is monitored by cabinet and full council.</li> </ul> <p>Action 11: Given the specialist nature of treasury management, AGC to consider if current arrangements for the oversight and scrutiny of Treasury Management is adequate. This should also include whether the waste contract requirements can be reported on an exception basis or be included in general treasury management reporting.</p>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes	See action items associated with this assessment.

Question		Yes/No/ Partly	Evidence
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	<p>Decision making powers of AGC is addressed in Section 1, Council Functions: 1, 5, 35 and Appendix 3.1.1 47B.</p> <p>No reports have come to committee that are not in line with these powers or other constitutional elements. See work programme and committee minutes.</p>

## Committee Structure & Effectiveness

### Independence and accountability

#### ***Extract from position Statement***

3. Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
  - act as the principal non-executive, advisory function supporting those charged with governance
  - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
  - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
  - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
  - be directly accountable to the authority's governing body or the PCC and chief constable.
7. To discharge its responsibilities effectively the committee should:
  - meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
  - be able to meet privately and separately with the external auditor and with the head of internal audit
  - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
  - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
  - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities

It is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. However the audit committee is constituted, all members should be aware that the work of the audit committee is non-political.

All audit committees are non-executive bodies whose role is to make recommendations rather than to decide policies directly. The impact of the committee is through influence and persuasion rather than direct decision making. The committee’s effectiveness does not depend on the delegation of powers.

The constitution of a local authority may include direct delegations to its audit committee, for example to approve the AGS or financial statements on behalf of the authority, as well as undertaking the review. In establishing whether the audit committee is to have any delegated decision-making powers, the local authority should take into account the number and role of independent members on the committee. In doing this, it will need to take into account the issue of voting rights. CIPFA recommends that delegation of decision-making powers on matters not directly related to the work of the audit committee should be avoided.

To be effective, an audit committee will need to engage with a wider range of officers than representatives of finance and internal audit, essential though they are. While it is for each audit committee to determine who attends its meetings, the following examples demonstrate the wide range of officers who can attend and add value to audit committee meetings:

- chief executive or equivalent – for the AGS and other governance-related issues
- monitoring officer – for the AGS and ethical governance issues
- risk management officer – for discussions around the risk registers and risk reports
- head of counter fraud – for agenda items on fraud risks and counter fraud activity
- service senior managers – for audit, risk, or governance discussions on their service areas (while recognising the operational independence of the chief constable on operational policing matters)
- scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Consideration should also be given to supporting the audit committee outside formal meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

Given its role in the governance structure and in promoting the principles of good governance, the audit committee should be clear how it supports one of the key principles: accountability. It is also important that the audit committee is, in its turn, held to account on the extent to which it has fulfilled its purpose. For an audit committee, accountability has to be considered under three aspects:

- supporting the authority’s accountability to the public and stakeholders
  - reviewing the public reports of the authority and in helping the authority to discharge its responsibilities in this area
  - Committee meetings will normally be held in public, with the exception of exempt items
- supporting accountability within the authority

- through review of internal and external audit reports, monitoring of risk registers and other key strategies, the audit committee will hold to account those responsible for the implementation of recommendations and action plans
- overseeing the process of evaluating and improving governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority is working well
- holding the audit committee to account. The aspects that should be specifically considered when reporting annually to full council include:
  - whether the committee has fulfilled its agreed terms of reference
  - whether the committee has adopted recommended practice
  - whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
  - whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
  - what impact the committee has on the improvement of governance, risk and control within the authority.

## Membership & Effectiveness

### ***Extract from position Statement***

6. Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
  - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
  - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
    - promoting apolitical open discussion
    - managing meetings to cover all business and encouraging a candid approach from all participants
    - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
  - unbiased attitudes – treating auditors, the executive and management fairly
  - the ability to challenge the executive and senior managers when required.

The composition of the committee will be a key factor in achieving the characteristics of a good audit committee.

- There is no consistency in the local government sector on the size of the committee. [CIPFA's 2016 survey](#) of audit committees found that size of the committee ranged from five to fifteen or more, although 47% had between six and eight members, with 2% having fewer and 50% having more.



- Having executive members on the committee is discouraged as it could deter the committee from being able to challenge or hold to account the executive on governance, risk and control matters
- CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales.
- The audit committee should review risks, controls and assurances that cover the whole operation of the authority so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience, for example in accountancy, audit, governance and risk management, will add value to the committee
- Audit committee members should be willing to review their knowledge and skills, for example, as part of a self-assessment process or training needs analysis

An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness. Seeking feedback on the operation of the committee may be helpful to supplement a self-assessment. Those interacting regularly with the committee or relying on its output would be the principal sources of feedback.

Skills matrix and training requirements should be annually reviewed and cover the following areas:

Core Areas	Specialist knowledge that may be beneficial
<ul style="list-style-type: none"> <li>• Organisational knowledge</li> <li>• Audit committee role and functions</li> <li>• Governance</li> <li>• Internal audit</li> <li>• Financial management and accounting</li> <li>• External audit</li> <li>• Risk management</li> <li>• Counter fraud</li> <li>• Values of good governance</li> <li>• Treasury Management</li> <li>• Strategic thinking and understanding of materiality</li> <li>• Questioning and constructive challenge</li> <li>• Focus on improvement</li> <li>• Able to balance practicality against theory</li> <li>• Clear communication skills and focus on the needs of users</li> <li>• Objectivity</li> <li>• Meeting management skills</li> </ul>	<ul style="list-style-type: none"> <li>• Accountancy</li> <li>• Internal Audit</li> <li>• Risk Management</li> <li>• Governance &amp; Legal</li> <li>• Service knowledge relevant to the functions of the organisation</li> <li>• Programme and project management</li> <li>• IT systems and IT governance</li> </ul>

Question		Yes/No/ Partly	Evidence
Membership & Support			
12	Has an effective audit committee structure and composition of the committee been selected? This should include:		
	<ul style="list-style-type: none"> <li>separation from the executive</li> </ul>	Yes	Members of the committee do include Cabinet support members, however, there are no members that have executive decision making authority.
	<ul style="list-style-type: none"> <li>an appropriate mix of knowledge and skills among the membership</li> </ul>	Partly	<p>There is only anecdotal evidence of the skill sets of members currently sitting on the committee.</p> <p><b>Action 12: Undertake skills analysis of committee members to determine training requirements and potential need for an independent person. The skills matrix should address both core areas and specialist areas that may be beneficial to the effective operation of the committee.</b></p>
	<ul style="list-style-type: none"> <li>a size of committee that is not unwieldy</li> </ul>	Yes	<p>Article 7 - 2.7.4 The audit and governance committee comprises seven members of the council and may also include an independent person who is not a councillor but is appointed by council and has the same voting rights as other members of the committee.</p> <p>CIFA's 2016 survey of audit committees found that the committee ranged from 5-15, however, 47% had between 6-8 members. AGC currently has 7 members and is therefore consistent with other committees.</p>
	<ul style="list-style-type: none"> <li>consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>	Partly	<p>Article 7 - 2.7.4 allows for the consideration of an independent person on the committee.</p> <p>There is currently no independent person on the committee.</p> <p><b>See Action 12 above.</b></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?	N/A	There are currently no independent members on the AGC. Appointment would follow good recruitment processes including evaluation of the skills sets required, advertising, clear job descriptions, selection and awarding processes.

Question		Yes/No/ Partly	Evidence
14	Does the chair of the committee have appropriate knowledge and skills?	Yes	<p>Democratic Services member development team ensure all Chairs and Vice-Chairs on HC committees have had adequate training. See training schedules.</p> <p>Chair works closely with s.151 Officer, Monitoring Officer, Internal/External Audit Leads to retain current knowledge and management of risks as they develop.</p> <p>Evidenced by attendance at Committee and resulting recommendations and minutes.</p> <p>Future Skills analysis within Action 15 will further evidence this.</p>
15	Are arrangements in place to support the committee with briefings and training?	Yes	<p>Chair briefings are undertaken before each meeting which is open to all committee members. Regular training sessions are also agreed with the Chair and wider members of the committee eg.</p> <ul style="list-style-type: none"> <li>• Introduction to A&amp;G: 14 June 2019</li> <li>• Redmond reviewing training provided by External Audit: 14 October 2020</li> <li>• Risk Register training provided by Officers: 21 January 2020</li> <li>• Anti-Fraud &amp; corruption training by Internal Audit: 16 September 2020</li> <li>• SWAP training is available for all members of the committee to attend.</li> <li>• Chair and vice-chair are able to attend the LGA training specific to audit committees. Current chair and vice-chair attended on 9/10 January 2020 and 1/2 February 2020.</li> </ul>
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	No	<p>Action 12: Undertake skills analysis of committee members to determine training requirements and potential need for an independent person. The skills matrix should address both core areas and specialist areas that may be beneficial to the effective operation of the committee.</p>

Question		Yes/No/ Partly	Evidence
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Yes	Demonstrated by regular attendance at committee meetings by these key stakeholders and the professional way in which the meetings are managed.  Chair works closely with s.151 Officer, Monitoring Officer, Internal/External Audit Leads to retain current knowledge and management of risks as they develop.  <b>Action 12: Good working relations with key people and organisations, including external audit, internal audit and the CFO to be further explored as part of core skill of organisational knowledge</b>
18	Is adequate secretariat and administrative support to the committee provided?	Yes	Clerk has supported AGC since Nov 2016 and therefore has a strong understanding and working relationship with the committee.
Effectiveness of the committee			
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	No	<b>Action 13: AGC to discuss how feedback could be obtained upon its performance eg. via annual report to full Council, annual survey monkey questionnaire....</b>
20	Are meetings effective with a good level of discussion and engagement from all the members?	Partly	Not every member is fully engaged. This will be picked up in the action plan for the skills analysis (See <b>Action 12</b> ). All members except for 2 were newly elected in May or July and engagement since May 2019 has improved.
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?	Yes	See minutes.
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	See action tracker / minutes for evidence

Question		Yes/No/ Partly	Evidence
23	Has the committee evaluated whether and how it is adding value to the organisation?	No	Action 1: After a period of no longer than two years, consideration be given to reintroducing an annual assurance report to full council which could act as the mechanism to allow the AGC to report upon its annual effectiveness and to allow full council to hold AGC to account.
24	Does the committee have an action plan to improve any areas of weakness?	Yes	See action tracker.
25	Does the committee publish an annual report to account for its performance and explain its work?	No	Action 1: After a period of no longer than two years, consideration be given to reintroducing an annual assurance report to full council which could act as the mechanism to allow the AGC to report upon its annual effectiveness and to allow full council to hold AGC to account.

### 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	Overall Assess. (1-5)	Self-evaluation, examples, areas of strength and weakness
Promoting the principles of good governance and their application to decision making	5	<ul style="list-style-type: none"> <li>• A review of the Constitution is currently being undertaken and the re-thinking governance working group is a working group of the committee.</li> <li>• Providing robust review of the AGS and the assurances underpinning it. AGS is approved in March, approved in July and progress updated is provided in January.</li> <li>• Due to the oversight provided to the AGS, it has been recommended that the adoption of an audit and governance code is removed from the constitution (see <a href="#">Action 4</a>)</li> <li>• Working with key directors and chief executive. Director of children and families and adults and wellbeing have been invited and there is / will be constructive discussion. Solicitor to the Council and chief finance officer attend all AGC meetings.</li> <li>• Supporting reviews/audits of governance arrangements</li> <li>• Participating in self-assessments of governance arrangements.</li> <li>• Opportunities have been identified to further strengthen member understanding of the role of AGC and Scrutiny (see <a href="#">Action 2</a>)</li> </ul>
Contributing to the development of an effective control environment	5	<ul style="list-style-type: none"> <li>• Actively monitoring the implementation of recommendations from auditors</li> <li>• Encouraging ownership of the internal control framework by appropriate managers</li> <li>• Raising significant concerns over controls with appropriate senior managers</li> <li>• Oversee and approve the contract procedure rules and financial procedure rules on an annual basis.</li> </ul>

Areas where the Audit Committee can add value by supporting improvement	Overall Assess. (1-5)	Self-evaluation, examples, areas of strength and weakness
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	5	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking</li> <li>• Monitoring improvements</li> <li>• Holding risk owners to account for major/strategic risks. Invitations to CX and directors to discuss major / strategic risks within the council.</li> </ul>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	4	<ul style="list-style-type: none"> <li>• Specifying its assurance needs, identifying gaps or overlaps in assurance</li> <li>• Seeking to streamline assurance gathering and reporting <ul style="list-style-type: none"> <li>○ E.g. link corporate risk register to internal audit plan.</li> <li>○ Requesting more information with regard to the anti-fraud strategy.</li> <li>○ Requesting that a one page summary is provided for internal audits undertaken.</li> </ul> </li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit</li> </ul> <p>Improvements have been identified. See:</p> <ul style="list-style-type: none"> <li>• <b>Action 5: Assurance Framework &amp; Partnership Governance</b></li> <li>• <b>Action 3: Value for Money</b></li> <li>• <b>Action 8 Counter Fraud &amp; Corruption</b></li> <li>• <b>Action 9: Ethical Values</b></li> <li>• <b>Action 11: Treasury Management</b></li> <li>• <b>Action 12: Skills Matrix</b></li> </ul>
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	5	<ul style="list-style-type: none"> <li>• Internal audit for the council is undertaken by SWAP which is an independent organisation but part owned by the Council</li> <li>• Results of IA effectiveness review has been reported to the audit and governance committee.</li> <li>• Internal audit charter is an agenda item on annual basis.</li> <li>• AGC oversees IA activity that is not referred to within the constitution. See <b>Action 6</b> for recommended improvements.</li> </ul>

Areas where the Audit Committee can add value by supporting improvement	Overall Assess. (1-5)	Self-evaluation, examples, areas of strength and weakness
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	4	<ul style="list-style-type: none"> <li>Internal audit are reviewing major capital projects at the request of the committee to assess the effectiveness of the arrangements.</li> <li>The AGS is monitored during the year.</li> <li>The A&amp;G committee oversee and approve the contract procedure report and finance procedure rules</li> <li>The committee does not accept late reports.</li> <li>The assurance framework for the committee needs to be considered as part of the re-thinking governance working group.</li> <li>See Actions reported above</li> </ul>
Supporting the development of robust arrangements for ensuring value for money	3	<ul style="list-style-type: none"> <li>Look at value for money in a number of places but it is not consolidated into one area</li> <li>See Action 3</li> </ul>
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	3	<ul style="list-style-type: none"> <li>Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</li> <li>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</li> <li>Assessing the effectiveness of ethical governance arrangements for both staff and councillors</li> <li>See Action 8</li> </ul>
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	3	<ul style="list-style-type: none"> <li>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English, AGS</li> <li>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. See Action 5.</li> <li>Publishing an annual report from the committee</li> <li>Nolan principles are published as part of every agenda pack</li> <li>Report template have changed which includes a glossary of terms for reports, where necessary.</li> <li>See Action 1, 7, 10 and 13.</li> </ul>