

# AUDIT & MEMBER STANDARDS COMMITTEE

## EFFECTIVENESS

Date:	27 April 2021
Agenda Item:	9
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Key Decision?	NO
Local Ward Members	n/a



## AUDIT & MEMBER STANDARDS COMMITTEE

### 1. Executive Summary

- 1.1 This report is to review the progress in implementing the 2020 annual self-assessment of Audit & Member Standards Committee and assessing the effectiveness of these interventions.
- 1.2 The report also sets out the responses to the 2021 self-assessment and if any further measures are required to ensure committee effectiveness.

### 2. Recommendations

- 2.1 That the Committee considers the attached self-assessment checklist and endorses any further actions to improve its effectiveness as appropriate.

### 3. Background

- 3.1 CIPFA have published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance was updated in 2018 and incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) (the Position Statement), which sets out CIPFA's views on the role and functions of an Audit Committee.
- 3.2 The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.3 In February 2020 the committee completed a self-assessment and agreed the following actions.
  - To produce a Chair's annual report to Council. Which is included in this agenda.
  - To receive training on Governance, Internal Audit, Counter Fraud and Treasury.
  - To not appoint an independent member.
- 3.4 An annual report is on the agenda for today. The committee has received virtual training on 30 November 2020 covering Communications/Safeguarding and Governance hosted by the Monitoring Officer/Head of Governance & Performance but no Audit training has been programmed due to Covid and will need to be carried out in the training plan going forward for 2021/22.

- 3.5 **Appendix 1** provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee.
- 3.6 In advance of the Committee, Committee members were sent a ‘knowledge and skills’ self- assessment to undertake. The results of these returns has been fed into the assessment at **Appendix 1**. Members are asked to consider the suggested actions and endorse any to be taken forward by the committee to improve effectiveness. I am pleased to report that 7 of the 9 members completed the assessment.

Alternative Options	Members can decide not to undertake a self-assessment, however this is not considered best practice.
Consultation	All committee members were invited to comment.
Financial Implications	None arising from this report.
Contribution to the Delivery of the Strategic Plan	An effective Audit & Member Standards Committee supports the delivery of the Council’s strategic plan by seeking assurance that the Council’s risk management, internal control and governance arrangements are sufficient and operating effectively.
Equality, Diversity and Human Rights Implications	None arising from this report.
Crime & Safety Issues	None arising from this report.
Environmental Impact	None arising from this report.
GDPR/Privacy Impact Assessment	Not applicable

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Audit and Standards Committee is ineffective	Ongoing assessment and reporting	Green (tolerable) Likelihood Low and Impact Med

**Background documents**  
 CIPFA Audit Committee Update Practical Guidance - 14 November 2018 Audit & Member Standards Committee  
<https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?Cid=134&Mid=190&Ver=4>

**Relevant web links**

## Appendix 1

### Audit and Member Standards Committee Self-assessment of Compliance with Good Practice

Good Practice Questions	Yes	Partly	No	Comments / Actions
<b>Audit committee purpose and governance</b>				
1 Does the Authority have a dedicated audit committee?	Y			Nine councillors other than the Chairman and the Leader of the Council. Option to co-opt one independent person who is not a Councillor or officer of the Council or any other body having a Standards Committee for Member Standards matters (see also 12).
2 Does the audit committee report directly to Full Council?	Y			Minutes of each Audit & Member Standards Committee are presented to the next full Council meeting for endorsement. There is also a right of access to the Leadership Team. A Chair's Annual Report to Council is submitted.
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			Comprehensive terms of reference in place which accords with CIPFA guidance.
4 Is the role and purpose of the audit committee understood and accepted across the Authority?	Y			Set out in the Constitution – role and purpose understood by Members, Leadership team and reporting officers. Audit & Member Standards Committee Training was held for all members in November 2019.
5 Does the audit committee provide support to the Authority in meeting the requirements of good governance?	Y			Through coverage of all the areas set out in the terms of reference.
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			Via minutes submitted to Council and Chair's Annual report to Council.
<b>Functions of the committee</b>				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
<input type="checkbox"/> good governance	Y			Arrangements for monitoring the effective development and operation of corporate governance is included within the terms of reference.
<input type="checkbox"/> assurance framework, including partnerships and collaboration arrangements	Y			The assurance framework forms part of the annual governance statement and annual internal audit opinion and includes consideration of all assurances sourced from external/independent sources.
<input type="checkbox"/> internal audit	Y			Detailed provision in the terms of reference for oversight of internal, external audit and financial reporting (accounts).
<input type="checkbox"/> external audit	Y			
<input type="checkbox"/> financial reporting	Y			
<input type="checkbox"/> risk management	Y			The terms of reference includes the ability to monitor the effectiveness of the Council's risk management arrangements.
<input type="checkbox"/> value for money or best value	Y			This is covered explicitly in the terms of reference and through the work completed and assurance provided by External Audit. Ensuring value for money also forms an inherent part of the Internal Audit approach.

<input type="checkbox"/> counter fraud and corruption	Y			The ability to monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption and whistle-blowing are included within the terms of reference.
<input type="checkbox"/> supporting the ethical framework	Y			Matters concerning standards and codes of conduct form an inherent part of the Committee's remit and via its sub-committees. Internal Audit also provide assurance on areas associated with the ethical framework as part of annual Internal Audit plans.
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?	Y			Core areas from the CIPFA guidance considered as part of this assessment. The Chair's Annual Report covers this.
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?	Y			The committee has assumed responsibility for some of these areas, including standards.
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A			Coverage of core areas is felt to be sufficient.
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?	Y			The Committee has maintained its oversight / advisory role during the period.
<b>Membership and support</b>				
12 Has an effective audit committee structure and composition of the committee been selected? This should include:  <input type="checkbox"/> separation from the executive  <input type="checkbox"/> an appropriate mix of knowledge and skills among the membership  <input type="checkbox"/> a size of committee that is not unwieldy  <input type="checkbox"/> consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).	Y  Y  Y		P	See 16.
13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?	N/A			See 12 above.
14 Does the chair of the committee have appropriate knowledge and skills?	Y			Chair has a background and experience which supports his role on the Committee.
15 Are arrangements in place to support the committee with briefings and training?	Y			There was Audit & Member Standards Committee Training for all members held in November 2019 which included a comprehensive overview of all aspects of the remit. A specific treasury management session was held in 22 July 2019 and the Head of Governance & Performance (Monitoring Officer) hosted virtual member training covering Communications/Safeguarding and Governance on 30 November 2020.

			<p>Members were asked to complete a knowledge and skills' self- assessment prior to today's Committee meeting. Of the 7 returns received, the following were identified as potential areas to focus training:-</p> <ul style="list-style-type: none"> <li>• <b>CIPFA Principles of Good Governance (to cover LDC decision making)</b></li> <li>• <b>Counter Fraud</b></li> <li>• <b>Treasury Management</b></li> </ul> <p><b>Proposed Action: The Committee is asked to endorse the above areas as a training focus for the next Council year.</b></p>
16 Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?		<b>P</b>	See 15 above.
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<b>Y</b>		Good relationships are in place.
18 Is adequate secretariat and administrative support to the committee provided?	<b>Y</b>		The Governance Team provide support.
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		<b>P</b>	No formal feedback on performance, however, the Committee does get feedback from External Audit.
20 Are meetings effective with a good level of discussion and engagement from all the members?	<b>Y</b>		Meetings have a good level of discussion and engagement from Members.
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?	<b>Y</b>		Senior Managers have attended Audit & Member Standards Committee meetings to present updates for Members and to be challenged on specific areas of interest or concern. This practice will continue as appropriate.
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	<b>Y</b>		Agreed actions and recommendations are followed up at subsequent meetings.
23 Has the committee evaluated whether and how it is adding value to the organisation?	<b>Y</b>		As part of this self-assessment process and the Chair's Annual Report.
24 Does the committee have an action plan to improve any areas of weakness?	<b>Y</b>		Proposed actions have been detailed as part of this annual self-assessment process.
25 Does the committee publish an annual report to account for its performance and explain its work?	<b>Y</b>		Minutes of the Committee Meetings are provided to full Council and an Annual Report is produced by the Chair.