

**North East Derbyshire District Council**

**Audit and Corporate Governance Scrutiny Committee**

**24 November 2016**

<p><b>Evaluate the Role and Effectiveness of the Audit and Corporate Governance Scrutiny Committee</b></p>
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**Report of the Executive Director Operations**

This report is public

**Purpose of the Report**

- To enable Members of the Audit and Corporate Governance Scrutiny Committee to undertake a self-assessment of the operation of the Committee to enable them to take a view as to the effectiveness of the Committee and to recommend 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 any local authority. 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 and Corporate Governance Scrutiny 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 and Corporate Governance Scrutiny 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 and Corporate Governance Scrutiny Committee undertake a self assessment concerning the effectiveness of its performance against the criteria established by CIPFA/SOLACE.

## **7 Decision Information**

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	Not Directly
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## **8 Document Information**

<b>Appendix No</b>	<b>Title</b>
1	Questions for Audit Committee Members to Ask: Governance – Extracted from CIPFA / SOLACE: Delivering Good Governance in Local Government (2012)
<b>Background Papers</b> (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)	

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AGIN6(e)(A&CGS 1124) 2016 Evaluate Role of Audit Committee

**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 and Corporate Governance Scrutiny 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 where appropriate provided comments in response to the issues raised by CIPFA / SOLACE. It is for the Committee to take a view as to the appropriateness of these comments and to consider those issues where no comments have been made.

**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**

<b>Does the internal audit strategy meet our needs?</b>			
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 and Corporate Governance Scrutiny Committee formally approves the Audit Plan and it is agreed by both External Audit and the Director of Corporate Resources (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.

<b>Are the authority's key risks still relevant to the current strategic objectives?</b>			
These are kept under review in the preparation of the Plan. Internal Audit have access 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**

<b>Does the internal audit reporting line ensure that audit recommendations are given due weight and attention?</b>			
The Audit and Corporate Governance Scrutiny Committee and SAMT consider the outcome of all internal audit reports, with the Audit and Corporate Governance Scrutiny Committee receiving a copy of all reports that are marginal or unsatisfactory.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

<b>How are external auditors co-ordinating their work with the authority's internal auditors?</b>			
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.

<b>Is a common definition of risk used across the authority?</b>			
The authority has a Risk Management Framework which is applied across the authority.			
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**

<b>Are the internal auditors free from any other responsibilities that could impair their independence?</b>			
The Chief Financial Officer is of the view that this requirement is met by 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.

<b>Are procedures followed consistently with the need to achieve value for money?</b>			
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.

<b>What steps are being taken to discharge the duty to promote and maintain high standards of conduct?</b>			
This is assessed as part of the process of preparing the Annual Governance Statement and that assessment was outlined in a report to the May 2016 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**

<b>Do internal and external auditors receive the necessary degree of co-operation?</b>			
In the view of the Chief Financial Officer the necessary degree of co-operation has been achieved. He is not aware of any issues where appropriate co-operation has not been provided.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

<b>Where internal audit budgets are being reduced, how will the level of assurance be maintained?</b>			
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.

<b>Have there been any attempts to restrict the scope of the internal auditors' work in any way?</b>			
Not in the opinion of the Chief Financial officer.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

<b>How is the efficiency and effectiveness of internal audit demonstrated?</b>			
The Audit and Corporate Governance Scrutiny 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 and Corporate Governance Scrutiny Committee on an annual basis which assesses the effectiveness of internal audit. The report relating to 2015/16 was considered at the May 2016 meeting of this Committee. An independent review of the internal Audit service has recently been undertaken and a report based upon this review will be reported to the next 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.

<b>Do the internal or external auditors have any concerns about management's control awareness or operating style?</b>			
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.			
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 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 and Corporate Governance Scrutiny 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 and this self-assessment should enable the Audit and Corporate Governance Scrutiny 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.



<b>Is risk management part of all planning and decision-making processes?</b>			
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.			
4. Fully Compliant	3.Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

<b>Is risk management integrated with the authority's other procedures?</b>			
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 improvement	1. Council does not have appropriate arrangements in place.

<b>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?</b>			
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.

<b>Has the authority implemented national counter-fraud standards?</b>			
In the view of the Chief Financial Officer these have been complied with..			
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**

<b>Are there appropriate training and induction procedures for audit committee members?</b>			
It is appropriate that the Audit and Corporate Governance Scrutiny Committee comes to its own view on 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.

<b>Does the audit committee periodically assess its own effectiveness?</b>			
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 and Corporate Governance Scrutiny 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.

<b>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?</b>			
The Chief Financial Officer presented a report to the May meeting of this Committee providing his assessment of the effectiveness of Internal Audit.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

<b>Does the authority run training sessions on risk management for new staff?</b>			
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. 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. 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.

<b>Does the annual governance statement reflect compliance?</b>			
The Annual Governance Statement is subject to consideration by the Audit Committee, by the Strategic 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.

<b>Are there areas where the authority does not comply with relevant guidance?</b>			
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.

<b>Did any circumstances prevent adherence to the agreed timetable for preparing and auditing accounts? Did any delays result in an audit overrun?</b>			
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.

<b>Do the authority's financial statements satisfy all statutory and regulatory disclosure requirements to which the authority is subject?</b>			
Officers will take appropriate steps to ensure that the Council is fully compliant. The work of officers will be subject to independent External Audit and subject to Member and Audit and Corporate Governance 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:

<b>Clear, distinct and up-to-date terms of reference</b>			
<p>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 is as follows:</p> <p>5.3. (e) Audit and Corporate Governance Scrutiny Committee</p> <p>The committee will:-</p> <ul style="list-style-type: none"> <li>(i) consider the Internal Audit 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</li> <li>(ii) consider summaries of specific Internal Audit reports as requested</li> <li>(iii) consider reports dealing with the management and performance of the providers of Internal Audit Services</li> <li>(iv) consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</li> <li>(v) consider the External Auditor's Management Letter, relevant reports, and the report to those charged with governance</li> <li>(vi) consider specific reports as agreed with the External Auditor</li> <li>(vii) comment on the scope and depth of external audit work to ensure it gives Value for Money</li> <li>(viii) liaise with the Audit Commission over the appointment of the Council's external auditor</li> <li>(ix) commission work from Internal and External Audit as necessary</li> <li>(x) maintain an overview of the Contract Rules, and Finance Rules</li> <li>(xi) review any issue referred to it by the Chief Executive, a Director, the Monitoring Officer, the Chief Finance Officer or the Council Meeting, a committee or the Cabinet</li> <li>(xii) monitor the effective development and operation of risk management and corporate governance in the Council</li> <li>(xiii) monitor the Council's anti fraud and corruption strategy</li> <li>(xiv) oversee the production of the Council's Statement on Internal Control and recommend its adoption</li> <li>(xv) oversee the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice</li> <li>(xvi) oversee the Council's compliance with its own and other published standards and control</li> <li>(xvii) approve the Council's audited Annual Statement of Accounts</li> <li>(xviii) review the annual statement of accounts, specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council Meeting</li> <li>(xix) consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.</li> </ul>			
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 Standards Committee and the Audit and Corporate Governance Scrutiny Committee will co-operate on governance matters and will have the right to report directly to the Council Meeting on those matters "

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 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 Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in 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, however, the Audit and Corporate Governance Scrutiny 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 and Corporate Governance Scrutiny 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.

<b>Officer support (including a secretary role)</b>			
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.

<b>A clearly set out and agreed (but flexible) annual work plan</b>			
The Audit and Corporate Governance Scrutiny Committee approves a formal annual work plan (April 2016 meeting) with its agenda determined by the wider financial and governance timetables that are operational within 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.

<b>A wide-ranging agenda that reflects the governance, risk and control priorities of the authority</b>			
The Audit and Corporate Governance Scrutiny Committee is structured around a consideration of key reports on Finance and Risk which are prepared for the 'Cabinet'. 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.

<b>Access to other committees/information as required</b>			
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.

<b>Agenda papers circulated well in advance of the meetings</b>			
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.

<b>Meetings arranged on a regular basis</b>			
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.

<b>Engagement with a wide range of services in accordance with the risks under review</b>			
Portfolio Members, Directors and other officers may be requested to attend meetings as required.			
4. Fully Compliant	3. Arrangements fit for purpose	2. Arrangements in need of improvement	1. Council does not have appropriate arrangements in place.

<b>Regular assessment of performance as a committee.</b>			
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 and Corporate Governance Scrutiny 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.