



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 16th January 2008

Title: Audit Committee Self Assessment

Report of: Head of Audit Services

Report reference: CORP 46/07

Summary:

This report summarises the result of the Audit Committee's Self-Assessment exercise

Recommendation:

Members are requested to receive the report and to consider, in order for an appropriate Action Plan to be drawn up, those areas where action is required to improve the Committee's effectiveness.

Contact Officer: Ian Beckett, Head of Audit Services **Ext:** 7292

Audit Committee Self Assessment

1 Background

- 1.1 At the meeting of the Audit Committee which was held on 23rd January 2007, the first draft of the “Audit Committee Checklist”, which forms part of the CIPFA Audit Committee Toolkit, was presented to Members.
- 1.2 This identified a number of areas where further action was required, one of these being *“does the Audit Committee periodically assess its own effectiveness?”*
- 1.3 After seeking advice in this area from the Institute of Public Finance (IPF), a self-assessment questionnaire was obtained, from another Authority, which had been used for this purpose.
- 1.4 This questionnaire was discussed with the (then) Chairman of the Audit Committee and it was agreed that it should be used for this Committee’s self-assessment review. It was also agreed that the results of the completion of the questionnaire would be aimed towards the September meeting of the Audit Committee, in order for any new Members to be included in the assessment process.
- 1.5 This approach was later discussed with, and agreed by, the current Chairman of the Audit Committee. It was also agreed that the questionnaire should be completed by those senior officers who regularly attend the Committee.
- 1.6 The questionnaire was therefore forwarded to all Members of this Committee, together with the Town Clerk and Chief Executive, the Deputy Town Clerk, the Director of Corporate Services, the Director of Legal and Democratic Services and the Head of Audit Services.
- 1.7 Completion and return of the questionnaire was requested by 7th September 2007. The initial intention was to present the report to this Committee at the meeting on 27th September, but too few responses had been received by that date to draw any meaningful conclusions, and the report was therefore postponed until this meeting.

2 Summary of Results

- 2.1 In all, 12 questionnaires were completed and returned. The responses given have been summarised and are as shown on **Appendix A** to this report.

- 2.2 In order to give a clearer indication of the responses received, a “percentage score” was calculated for each of the questions, as detailed below.
- 2.3 The score for each question was given on the range from 1 to 4, and as twelve responses were received, the maximum score for each question was therefore 48 points. The actual score for each question was calculated and expressed as a percentage of 48. For example, for question 1, 5 respondents scored this as “2” giving a score of 10, and 7 scored it as “3”, giving a score of 21. The total score was therefore 31, which is 65% of 48.
- 2.4 The overall average score for the questionnaire was 60% - this indicates that there is a significant effort required to bring the effectiveness of the Audit Committee up to the standard implied by the questionnaire. This result partly reflects the change of membership of the Audit Committee since its inception. The original members of the Committee received training for their role – but some newer Members may not have had the benefit of this training nor the experience of their colleagues. There will also be a “constant battle” to keep up with changes of membership of the Committee, following elections, in terms of training and experience.
- 2.5 An Action Plan is required to identify those areas where improvement is deemed to be necessary, the actions required and the responsible person/s for ensuring that the appropriate remedial action is taken. Members themselves will need to decide on the actions to be taken and appropriate time-scales.
- 3 Recommendation
- 3.1 Members are requested to receive the report and to consider, in order for an appropriate Action Plan to be drawn up, those areas where action is required to improve the Committee’s effectiveness.

Ian Beckett
Head of Audit Services
January 2008.

APPENDIX A

Carlisle City Council - Audit Committee Effectiveness

N/A = not applicable

1 = hardly ever/ poor

2 = occasionally/ inadequate

3 = most of the time/
satisfactory

4 = all of the time/ good

N/A	1	2	3	4	%
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Processes

1 Members with appropriate skills and experience

The Audit Committee comprises members with an appropriate mix of skills and experience, including some relevant financial experience

-	-	5	7	-	65
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2 Clear terms of reference

There are clear, up to date terms of reference, with clarity as to the Committee's role in relation to the Council and other Committees

-	-	2	5	5	81
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3 Clear as to risk management responsibilities

The Audit Committee is clear about its role in relation to risk management and in relation to the work of the Corporate Resources Overview and Scrutiny Committee

-	-	4	5	2	65
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4 Structured and appropriate annual agenda

There is a structured annual agenda of matters to be covered, with focus on the right areas

-	1	1	6	4	77
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5 Sufficient number of meetings and access to resources

The number and length of meetings and access to resources are sufficient to allow the Committee fully to discharge its duties

1	-	2	5	4	73
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6 Concise, relevant and timely information

Audit Committee papers are concise, relevant and timely and are received sufficiently far in advance of meetings

-	1	2	9	-	67
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7 The right people invited to attend and present at meetings

Senior officers and others are asked to be present on issues as appropriate

-	-	-	6	6	88
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8 Meetings held sufficiently far in advance of Council meetings

Audit Committee meetings are held sufficiently far in advance of Council meetings to permit resolution of the issues raised

-	1	3	4	4	73
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9 Attendance and contribution to meetings

All Audit Committee members attend and actively contribute at meetings

1	1	6	3	-	46
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10 Sufficient time and commitment to undertake responsibilities

All Audit Committee members have sufficient time and commitment to fulfil their responsibilities

11 On-going personal development

Audit Committee members have access to on-going development activities to update their skills and knowledge

12 Role in relation to Confidential Reporting

The Audit Committee is informed of the Confidential Reporting Policy in place within the Authority

Activities

13 Understanding the Authority's business

All Audit Committee members have a good understanding of the different risks inherent in the Authority's business activities

14 Focus on appropriate areas

The Audit Committee focuses on the right questions and is effective in avoiding minutiae

15 Quality of interaction with external auditors

The Audit Committee actively engages with the external auditors regarding the scope of their work and audit findings

16 Quality of interaction with internal audit

The Audit Committee demonstrates an appropriate degree of involvement in the work of Audit Services and its findings

17 Understanding of key financial issues

The Audit Committee has a good understanding of the key financial issues, critical accounting policies and complex transactions

18 Understanding of how assurance is gained

The Audit Committee understands the interaction between the various sources of assurance available to it

19 Rigour of debate

Audit Committee meetings encourage a high quality of debate with robust and probing discussions

20 Reaction to bad news

The Audit Committee responds positively and constructively to bad news to encourage future transparency

21 Quality of chairmanship

The Chairman promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings

N/A	1	2	3	4	%
1	5	3	1	-	29
-	3	2	4	2	56
1	1	2	1	3	42
1	-	3	8	-	63
-	2	5	5	-	56
1	1	4	4	2	60
1	1	3	6	1	60
-	2	4	6	-	58
-	1	8	3	-	54
-	1	7	4	-	56
1	-	6	3	2	60
1	1	3	5	1	54

22 Frank, open working relationship with senior officers

Audit Committee members have a frank and open relationship with senior officers, whilst avoiding the temptation to act as officers

23 Open channels of communication

The Audit Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues

24 Perceived to have a positive impact ★

There is an appropriate balance between the monitoring role and the Committee acting as an “influencer for good” - How do we know that we are being effective in achieving our terms of reference and adding value to the corporate governance of the Authority? How do we know what impact we are having?

N/A	1	2	3	4	%
-	1	2	7	2	71
-	1	4	6	1	65
2	3	3	2	-	31

The overall score for the whole questionnaire is 60%.

GENERAL

Question number	Other Comments by Members and Officers
General comment	"Since the new Municipal Year the Committee has some new members, but I have tried to answer the questions with the current information about members and officers. The answers also contain information that I have received from other members/officers perception of how the current Audit Committee has carried out its duties and responsibility. Question 21 relates to both current and previous Chairman."
General comment	I have completed the questionnaire to the best of my ability given that I am a new member of the Committee and was unable to attend the last meeting. The ratings I have given are based on attending a previous meeting and discussions with colleagues. There are a number of areas where I do need training and a better understanding if I am to make a sensible contribution to the important Committee.
General comment	I have missed a couple of Audit Committee meetings and I understand that they were much better than before, in terms of the quality of questions asked by A.C. Members and their positive engagement. So my responses need to be taken within that context. Overall I do feel that there is still a lack of clarity between the role of this Committee and that of Corporate Resources Overview and Scrutiny Committee. That needs to be reviewed, understood and agreed by members of both Committees.
23	I'm not sure if <u>all</u> members of the Audit Committee have "open channels of communication", other than the Chair. It would be helpful to encourage that.
24	This is a really interesting question and is absolutely key to the role of this Committee.