

## **Review of Effectiveness – Audit and Governance Committee**

### **Summary**

- 1 This report asks members to consider options for undertaking a review of the effectiveness of the committee.

### **Background**

- 2 The Audit and Governance Committee forms an integral part of the council's overall governance framework and is an important source of assurance in respect of the council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that audit committees should periodically undertake a review of their own effectiveness to ensure that they are continuing to properly fulfil their responsibilities.
- 3 The last full review of the committee's effectiveness was conducted in 2012 with the findings of the review presented to the committee in December 2012. The review resulted in a number of changes being made to the committee's terms of reference, the appointment of independent co-opted members and the introduction of an annual report to Full Council. Whilst there have not been any significant changes in the scope of the committee's work since then the membership of the committee has changed so it is considered a further review would be timely. Members expressed their support for this approach at the last meeting of the committee in September 2017.

## Effectiveness Review – Next Steps

4 Members will want to consider the scope of the review, the timing and how it will be progressed. Members may also wish to highlight specific areas they would like to be considered as part of the review. Assuming there is agreement to proceed then a number of options exist for completing the review, as follows. The committee could:

- undertake the review itself (with support from officers) (option A)
- set up a separate working group to gather evidence (perhaps with representation from elsewhere in the council) (option B)
- arrange for a peer review by an audit committee chair from a neighbouring authority (option C)
- commission a review by the council's internal or external auditors (option D)
- commission an external review by a suitable expert (for example CIPFA) (option E)

5 Options A and B could be progressed without delay and there would be no budget implications. However, the review would lack an external perspective and therefore the committee may not learn from good practice elsewhere. Option C would allow the committee to compare its practice against a similar local authority audit committee. The costs would be minimal<sup>1</sup> but there is a risk that the comparator information would be limited. Option D would involve a cost but both the internal and external auditors have experience of audit committees operating elsewhere and will have observed good and bad practice. Whilst the external auditors are independent of the council, members may wish the review to be conducted by someone who is not involved with the working of the committee on an ongoing basis. There would be a cost associated with option E<sup>2</sup> but this would offer an external perspective.

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<sup>1</sup> The council would need to reimburse travel and other expenses – say £200.

<sup>2</sup> An external review by an experienced assessor would cost about £4k.

- 6 Budget provision would need to be made available for options C – E. The council would also need to undertake a procurement exercise before engaging an external organisation to undertake the review. There would therefore be a delay in the review being commissioned.
- 7 Members may also wish to highlight the specific areas to be considered within the scope of the review. These could include;
- The committee's terms of reference
  - The quality and suitability of information made available to the committee
  - The length and frequency of meetings
  - Training and induction for members of the committee
  - Whether members have an appropriate understanding of the council's systems and processes
  - Whether the committee's members act in an objective, independent and unbiased manner
  - Whether the committee's members provide the appropriate level of challenge to the council's executive and officers
  - Whether the work of the committee and its current operating practices are seen to add value to the council's overall governance arrangements
  - Relationships between the committee and the internal / external auditors
  - Relationships between the committee and the council's executive and scrutiny functions

### **Consultation**

- 8 Not relevant for the purpose of the report.

### **Options**

- 9 See paragraph 4 above.

## **Analysis**

- 10 Not relevant for the purpose of the report.

## **Council Plan**

- 11 The Audit and Governance Committee forms an important component of the council's corporate governance framework. As such it helps to support the overall aims and priorities of the council by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

## **Implications**

- 12 There would be budget implications if the committee wished to commission an external review. The cost could be up to £4k.
- 13 There are no implications to this report in relation to:
- **Human Resources (HR)**
  - **Equalities**
  - **Legal**
  - **Crime and Disorder**
  - **Information Technology (IT)**
  - **Property**

## **Risk Management Assessment**

- 14 The Audit and Governance Committee may not discharge its responsibilities effectively if it fails to operate properly or in accordance with best practice.

## **Recommendation**

- 15 Members are asked to consider whether to proceed with a review of the committee's effectiveness, and the form and scope of any such review.

## Reason

To enable members to determine their preferred approach to any future review of the committee's effectiveness.

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**Report  
Approved**



**Date**

6/11/17

**Specialist Implications Officers**

Not applicable

**Wards Affected:**

**All**



**For further information please contact the author of the report**

**Background Papers**

None