

### AUDIT & GOVERNANCE COMMITTEE: EVALUATION OF EFFECTIVENESS

The 2013 CIPFA report ‘Audit Committees: Practical Guidance for Local Authorities and Police’ contains an assessment tool at Appendix E to help audit committees consider where they are most effective and where there may be scope to do more. This tool has been adapted for use during the effectiveness review. The evaluation has sought to evidence where the committee is effective and to enable the committee to identify areas in which it may wish to develop further.

#### ASSESSMENT KEY

H	Clear evidence from sources that the committee is actively and effectively supporting improvement across this area.
M	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also gaps.
L	There is limited evidence that the committee has supported improvements in this area.

#### EVALUATION

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
1. Promoting the principles of good governance and their application to decision making.	<p>The task group identified evidence of undertaking a great deal of work on governance although it may not all be formalised as governance.</p> <p>Witnesses told the task group that there were effective Member/officer working relationships, effective values and behaviours, proper decision-making processes and good capacity and capability.</p> <p>The Committee reviews the Annual Governance</p>	<p>Feedback from Members and officers was received on how the committee could further improve understanding of governance in general as well as the AGS specifically:</p> <ul style="list-style-type: none"> <li>• Be a visible leader/support on governance</li> <li>• Hold training or workshops on governance for senior Members and officers</li> <li>• An item at full Council</li> </ul>	H

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	<p>Statement (AGS), which is presented to it by the Leader of the Council and the Chief Executive, and commends it to Cabinet. Officers were not aware of other councils where the Leader and Chief Executive present the AGS to the audit committee; thereby taking clear ownership for the report and being held publicly accountable.</p> <p>The Committee reviews the assurances underpinning the AGS such as the internal audit reports and the annual report on the internal control environment. The Committee also reviews external audit reports, the annual and six-monthly review of risk management arrangements and the annual review of the effectiveness of internal audit.</p> <p>Officers informed the task group that the committee provides strong challenge on governance issues and therefore provides assurance for the AGS.</p> <p>The Committee reviews updates to the Code of Corporate Governance and commends it to Council for inclusion in the Constitution.</p> <p>The Committee is emailed full internal audit reports and discuss audit findings and Management Action Plans (MAPs) at every meeting. Where the audit opinion is Major Improvement Needed or Unsatisfactory, and/or if the report includes any High Priority recommendations, the audit report will be reviewed by the relevant Select Committee. Audit &amp;</p>	<ul style="list-style-type: none"> <li>• Production and promotion of an Executive Summary for the AGS</li> <li>• Provide more notice of the committee's forward plan.</li> </ul> <p>It was brought to the task group's attention that the AGS may in future be produced by the newly established Assurance Board. It was suggested that a joint meeting of the network with the committee could be held to produce the Annual Governance Statement.</p> <p>There was feedback from many witnesses that there seemed to be a grey area of issues which fall between Audit &amp; Governance Committee and Council Overview and Scrutiny Committee. Greater clarity over the divide was required.</p> <p>Working with partner audit committees was identified as a priority in the near future. This was recognised to be a challenge, particularly because of the cultural differences with partner organisations. Two examples of where audit committees could work together were: the nine audit committees across the blue-light services could link to undertake a whole-systems review; and partnership audit committees may collaborate to look at the resilience of health and social care arrangements. It was also suggested that the way that the committee challenges Babcock 4S on its controls and assurance process could be a model for addressing the new trading companies.</p>	

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	<p>Governance Committee also monitors progress on MAPs.</p> <p>The task group heard that issues referred to select committees by the Audit &amp; Governance Committee are always relevant and of concern.</p>	<p>It was suggested that the committee could address the purposes and outcomes of the council. It should seek assurances that priorities and associated risks are being properly managed.</p>	
<p>2. Contributing to the development of an effective control environment.</p>	<p>The Committee reviews all internal audit findings and MAPs. The Committee receives updates on progress through the six-monthly Internal Audit Report and the Annual Internal Audit Report.</p> <p>Where concerns remain about progress on individual MAPs, the committee has monitored the situation; called in the services to account for their actions; and written to senior Members highlighting key issues in the audit reports. Examples in 2013/14 of audits which the committee has focussed its attention include: Purchase Cards; Transport for Education; Social Care Debt; implementation of the Property Asset Management System.</p> <p>The task group received assurance that the support of the committee for internal audit and its willingness to call in officers with regard to an audit or MAP was effective in ensuring that recommendations are acted upon and completed. A consequence of this is that MAPs are taking longer to be signed off as officers know they will be judged on implementation. On balance, the task group felt that this was a positive consequence.</p>	<p>The task group discussed whether more frequent meetings of the committee would allow for more timely consideration of audit reports. Another benefit of this would be spreading the increasing workload more thinly.</p> <p>One option for the committee to encourage ownership of the internal control framework and the implementation of MAPs within services would be for the Chairman to hold informal meetings with the Strategic Directors. This would support the Chief Internal Auditor in her efforts to encourage ownership.</p> <p>Concern was raised that some Members may not engage with audits because of the way that audit reports are written. It was suggested that Internal Audit could provide training to Cabinet and Select Committee Chairmen on audit processes.</p>	<p>H</p>

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	<p>The Committee meets informally with the Chief Internal Auditor and the Internal Audit team. The Chief Internal Auditor attends every Audit &amp; Governance Committee meeting.</p>		
<p>3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p>	<p>The task group received commendation for the committee's support for risk management. It was suggested that this had contributed to risk management being taken more seriously across the Council, with more effective mechanisms put in place.</p> <p>The committee approves the Risk Management Policy Statement and Strategy for inclusion in the Constitution. It also receives a half-year and annual Risk Management report to enable it to monitor the development and operation of the council's risk management arrangements.</p> <p>Through these reports, the committee has monitored the availability of up-to-date Directorate Risk Registers and attendance at officer meetings on risk. This is evidence of overseeing the integration of risk management into the governance and decision-making processes of the organisation.</p> <p>The Committee reviews the Leadership Risk Register at every meeting. Through this report, the committee seeks assurance that strategic and major risks are being managed effectively and owned appropriately. There was discussion regarding how high-level and strategic the Leadership Risk Register is, while the</p>	<p>While it was agreed that the processes and mechanisms were in place for supporting the governance of risk and risk management, the task group was challenged on whether the committee was looking at everything that it should be. E.g. relating risk management to the corporate strategy.</p>	<p>H</p>

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	<p>committee has an interest in risk identified and mitigated below that level. However, it was felt that this is already being addressed through informal sessions with services on how they manage risk. A session on risk management in the Highways Contracts is arranged for October 2014. Internal Audit also provides assurance on risk management within services.</p> <p>The committee reviews the AGS to ensure that it is an accurate reflection of the risk environment.</p> <p>Over the past year, the committee has monitored changes to the strategic lead for risk management.</p> <p>The committee receives information on the annual risk benchmarking exercise.</p> <p>The Committee has received training on the council's risk management arrangements; meeting with risk officers from across the council.</p> <p>The Risk &amp; Governance Manager attends every meeting of the Audit &amp; Governance Committee.</p>		
<p>4. Advising on the adequacy of the assurance framework and considering</p>	<p>Receives a range of assurances, including: the findings of the annual review of effectiveness of Internal Audit; the benchmarking result and audit findings for risk management; internal audit findings and progress reports on MAPs; external audit findings; etc.</p>	<p>The task group was advised about the establishment of the Assurance Board. The committee would need to understand how to use or work with the Board to determine the adequacy of the assurance framework. It was also suggested that the committee looks at the effectiveness of the new Assurance Network after six months in operation.</p>	<p>M</p>

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whether assurance is deployed efficiently and effectively.		<p>The committee has yet to specify its assurance needs, identify gaps or overlaps in assurance. The Assurance Framework should be scrutinised upon completion of the assurance mapping process being undertaken by the Chief Internal Auditor.</p> <p>External audit offered to provide KPIs to enable the committee to scrutinise the effectiveness of the company. This was already provided to other audit committees.</p>	
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<p>The committee reviews and approves the internal audit charter and functional reporting arrangements on an annual basis; approves the risk-based internal audit plan; reviews the internal audit budget and resource plan and reviews the Internal Audit Annual Report.</p> <p>The committee sponsors the annual review of the effectiveness of internal audit and monitors progress in implementing the recommendations of the effectiveness reviews. The audit committee supports adherence with the Public Sector Internal Audit Standards and as part of this will ensure that an external assessment takes place at least once every five years in line with the Quality Assurance and Improvement Programme.</p> <p>The Chief Internal Auditor has free and unfettered access to the chairman and vice-chairman of the audit committee and is also available to any other member of the committee. The committee meets informally with</p>	<p>There had been some concern raised that Internal Audit was seen to be too close to the committee and that the committee could provide more challenge to evidence and audit opinions. However, it was also recognised that a key to good governance was Internal Audit having a strong position in the organisation. This was supported by the relationship with the committee. It was suggested that one solution could be for auditors to be invited to committee meetings when their audit report is under consideration.</p> <p>The task group discussed how it could engage more directly with internal audit. It was suggested that, in addition to the regular meetings the committee holds with Internal Audit, it could also receive informal briefings on service areas including all relevant audit findings so that it can develop a full picture of the situation.</p> <p>The committee has no role in the appointment and removal of the Chief Internal Auditor. CIPFA suggests</p>	H

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	<p>the Internal Audit team every six months.</p> <p>The Chairman of the Audit &amp; Governance Committee contributes to the annual appraisal of the Chief Internal Auditor.</p>	<p>that the committee could have a role in this. The task group agreed that the audit committee should be able to assure itself that candidates for the position of Chief Internal Auditor are independent and of good quality.</p>	
<p>6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. The committee has taken an interest in the governance and assurance arrangements of major projects and programmes eg the development of an Investment Panel for the Council and the governance of Babcock 4S. The governance and assurance arrangements for trading companies being set up will be reviewed over future meetings of the committee.</p> <p>The task group agreed that reviewing the effectiveness of performance management arrangements is part of the Select Committees remit.</p>	<p>It was felt that the committee needs to develop its role further in major projects such as the New Models of Delivery project. This may include asking Internal Audit to review governance or assurance arrangements for a project on behalf of the committee.</p> <p>The task group considered that major projects and programmes were generally part of the Select Committees' remit and the Audit &amp; Governance Committee would not wish to duplicate work elsewhere. This could be addressed by checking whether Select Committees are looking at particular issues and holding joint agenda items on areas that the committee wants assurance on.</p> <p>As has been discussed above, it has been suggested that the committee seek assurance on whether council priorities are being properly managed eg by linking the corporate strategy to risk management.</p>	<p>M</p>
<p>7. Supporting the development of robust arrangements for ensuring value for</p>	<p>The AGS highlights methods for ensuring value for money.</p> <p>Internal Audit reports provide assurance for the effectiveness of value for money arrangements.</p> <p>The committee reviews external audit's annual value</p>	<p>It was highlighted to the task group that one of the areas that the Council is focussing on according to the Corporate Strategy is 'value'. This includes improving outcomes for residents while maintaining a vigorous focus on value for money. Therefore the committee may wish to consider how it could further seek</p>	<p>H</p>

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money.	<p>for money opinion and agrees the officer response.</p> <p>The task group debated whether the committee had a role in auditing savings but agreed that this responsibility lies with select committees.</p>	<p>assurance that there are robust arrangements for ensuring value for money.</p> <p>The Leader of the Council suggested that the committee could join with Adult Social Care Select Committee in the Autumn to scrutinise if robust arrangements are in place to achieve savings in Adult Social Care.</p>	
<p>8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<p>The committee annually reviews and agrees the Strategy Against Fraud and Corruption.</p> <p>The committee receives a half-yearly and annual report on Internal Audit irregularity investigations. Through this report, the committee also monitors activity by Internal Audit to embed an anti-fraud culture within the council through proactive fraud prevention and awareness work.</p> <p>An assessment of ethical governance arrangements for staff is on the Audit Plan for 2014/15. The findings from this audit will come to committee in due course.</p> <p>The committee monitors the operation of the Members' Code of Conduct, while also promoting advice, guidance and training for Members on the Code of Conduct.</p> <p>Feedback suggested that a light-touch approach was preferred on ethical governance. It was also felt that the committee's approach to fraud and corruption should be proportionate to the level of fraud and</p>	<p>The committee may wish to consider including the following in its work plan:</p> <ul style="list-style-type: none"> <li>• Reviewing the counter-strategy against recommended practices eg Managing the Risk of Fraud: Actions to Counter Fraud and Corruption (CIPFA) 2008; Fighting Fraud Locally: The Local Government Fraud Strategy (National Fraud Authority) 2011.</li> <li>• Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> </ul>	H



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	<p>corruption within Surrey which is comparatively low. This could be attributed to various reasons including: the council not having a housing function (which can attract housing benefit fraud); a strong procurement function; and best practice being implemented such as a whistleblowing policy. However, the task group was aware of the need for constant vigilance.</p>		
<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<p>The committee is supporting the ongoing process to simplify and streamline the financial accounts.</p> <p>The committee holds its meetings in public and very rarely goes into exempt mode.</p> <p>The committee commends an annual report on its activities to Council to support accountability within the authority. It also highlights its main activities as part of a quarterly bulletin on regulatory committee matters to all Members of the Council.</p>	<p>The task group felt that the committee should review whether decision making through partnership organisations remains transparent and publicly accessible where the council is a stakeholder and puts money into the organisation. It also felt that the committee should seek assurance that the organisation is being adequately audited.</p> <p>The task group discussed the need to promote transparency and accountability across the council. One option for doing this would be to review whether reports which are exempted from access to information legislation fit the criteria for exempt reports and that everything that could be in the public domain is. This might be a request to add to the Audit Plan.</p>	<p>H</p>

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