

Terms of Reference

Chief Executive / Chair of Governance & Ethics Committee

Audit Committee Effectiveness Review

August 2019

1 Introduction

- 1.1 The audit plan for 2019/20 includes an allocation for a review of the effectiveness of the Audit Committee.
- 1.2 During 2018 an external assessment was carried out of the effectiveness of West Berkshire Council's Internal Audit service, and its conformance with Public Sector Internal Audit Standards. The resulting report included a suggestion that Internal Audit should consider undertaking a review of remit and effectiveness of the Council's Governance and Ethics Committee, using the checklist from the CIPFA Audit Committees Practical Guidance for Local Authorities (2018).
- 1.3 CIPFA's guidance recommends that a review of the effectiveness of the body that perform the role of the audit committee should be undertaken regularly, to ensure they have the right level and mix of skills necessary to be effective.
- 1.4 CIPFA's position statement on Audit Committees (2018) states that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. The position statement goes on to set out the core functions, and characteristics of a good audit committee
- 1.5 CIPFA also carried out surveys of Local Authority audit committees, during 2016, and issued briefings of the survey results covering structure, membership, training and support. General conclusions and recommendations were made, including focus on committee composition, knowledge and experience of members, scope of assurance, constructive challenge, and improving the visibility of the work done by committees.
- 1.6 CIPFA developed a self-assessment checklist to support the Audit Committees Practical Guidance for Local Authorities. The National Audit Office (NAO) have also developed a similar checklist (2017), based on the core principles from HM Treasury's Audit & Risk Assurance Committee Handbook (Code of Practice 2011), for central government bodies.
- 1.7 Our audit will not provide a formal opinion on controls, but will conclude on the extent to which the Governance and Ethics Committee operates in accordance with the published guidance.

2 Objectives

The following audit objectives have been identified for the review.

2.1 To ensure that the Governance and Ethics Committee are able to provide effective independent oversight and assurance on the adequacy of risk management, the internal control environment and the integrity of financial reporting and governance:

We will utilise the survey and checklist approaches set out by CIPFA and the NAO, to establish and assess the attributes and activities of the Governance & Ethics Committee. This will include a survey / self-assessment by the members of the Committee. We will also review the Committee's terms of reference and meeting agendas and minutes, and other relevant documentary evidence.

The attributes and activities to be covered will include:

- a) Terms of Reference, remit and reporting lines of the Committee including any escalation routes, and provision of an annual report outlining the work done during the year.
- b) Composition of the Committee, including the size of the Committee; the level and mix of skills and experience; political representation and independence; and the inclusion of any executive board members.
- c) Effectiveness of the Chair, including how the Chair is appointed.
- d) Provision of training, including attendance / response to training.
- e) Meeting frequency and attendance, including ensuring that relevant officers are called to attend meetings.
- f) Meeting agendas, including alignment to the CIPFA position statement.
- g) Provision of constructive challenge, and focus on improvement.

3 Approach to the work

- 3.1 To survey, by means of a tailored questionnaire and selected interviews, the attributes and activities of the Governance and Ethics Committee. The survey would encompass the Committee Chair and members, as well as relevant officers. Also, attendance at a committee session to observe how the committee works in practice. Internal Audit will collate and analyse the results against the CIPFA guidance and CIPFA survey recommendations. We may contact respondents with any subsequent queries, or if any clarification is required. A summary report and any recommendations will then be shared with the Committee.

4 Reporting

- 4.1 It is intended to have a rough draft report prepared by the end of December 2019. The report will outline the responses to the questionnaire and interviews, along with draft conclusions and recommendations.

- 4.2 The draft report and recommendations will be shared with the members of the Committee for their consideration, and formally presented at the next meeting of the Committee.