

Internal Audit Review of Governance and Ethics Committee

Committee considering report:	Governance and Ethics Committee
Date of Committee:	Governance and Ethics – 20 April 2020
Portfolio Member:	Councillor Howard Woollaston
Date Portfolio Member agreed report:	12 March 2020
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE3889

1. Purpose of the Report

- 1.1 The appended audit report sets out the findings of the Internal Audit review of the Effectiveness of the Governance and Ethics Committee.
- 1.2 The review was undertaken in response to a recommendation arising from the external review of the Internal Audit service and its conformance with Public Sector Internal Audit Standards.

2. Recommendation

- 2.1 That the Governance and Ethics Committee notes the contents of the audit report and considers the recommended actions therein. Also, that the Committee obtain the Chief Executive's views on the proposals and possible implications on other governance structures, prior to agreeing a formal action plan.

3. Implications and Impact Assessment

Implication	Commentary			
Financial:	None			
Human Resource:	None			
Legal:	None			
Risk Management:	No risks associated with the proposal, however one aim of the recommendations is to improve the effectiveness of the risk management process.			
Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities				

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Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT or Digital Services Impact:		X		
Council Strategy Priorities or Business as Usual:		X		
Data Impact:		X		
Consultation and Engagement:	Members of the Governance & Ethics Committee; Head of Finance & Property; S151 Officer; Head of Legal and Strategic Support; Corporate Board			

4. Executive Summary

- 4.1 The appended audit report summarises the findings of Internal Audit's review of the effectiveness of the Governance and Ethics Committee.
- 4.2 The findings are based upon completion by Internal Audit of CIPFA's Best Practice Guidance Checklist, Committee members' responses to a survey issued by Internal Audit, and also by contextual data obtained from CIPFA audit committee briefing surveys.
- 4.3 Recommended actions are proposed within the audit report, which would align the Committee functions and objectives with the most recent CIPFA position statement,

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together with improving the effectiveness of their role particularly relating to oversight and challenge of the risk management and audit processes.

5. Supporting Information

Introduction

- 5.1 The appended audit report has been produced as a result of Internal Audit's (IA) review of the effectiveness of the Governance and Ethics Committee. The report considers how the Committee might approach maximising its own effectiveness by implementing key points of CIPFA's document: "Audit Committees: Practical Guidance for Local Authorities and Police" which was published in spring 2018.

Background

- 5.2 During 2018 an external assessment was carried out of the effectiveness of West Berkshire Council's IA service, and its conformance with Public Sector Internal Audit Standards. The resulting report included a suggestion that IA should consider undertaking a review of the remit and effectiveness of the Council's Governance and Ethics Committee, using the checklist from the CIPFA "Audit Committees Practical Guidance for Local Authorities and Police" (2018).
- 5.3 The Governance and Ethics Committee includes the functions of an Audit Committee. The effective operation of the Audit Committee in local government is a key element of the governance framework, in providing oversight and challenge of audit and risk management processes.
- 5.4 The CIPFA guidance highlights a number of suggestions for maximising the effectiveness of local authority audit committees. The document includes a Position Statement which gives a detailed view of the key roles and responsibilities, and covers such areas as:
- Purpose
 - Core Functions
 - Independence and Accountability
 - Membership
 - Developing effectiveness
- 5.5 IA completed the 'Self-assessment of good practice' questionnaire which forms an appendix to the guidance. The questionnaire is primarily factual, and IA's attendance at Committee puts IA in a good position to complete the questionnaire in an objective manner. We acknowledge that the Governance and Ethics Committee includes the functions of the Standards Committee in addition to Audit Committee responsibilities. This accords with a core function of an audit committee, as set out in the guidance.
- 5.6 We found that the Committee is undertaking most of the responsibilities expected of an audit committee, but not all the key activities recommended in this 2018 update to the guidance.
- 5.7 We found that there is scope for improvement in the way the Committee understands and reports on its own activity, for example: refreshing its Terms of Reference; understanding members' relevant skills and knowledge; undertaking training to improve the Committee's ability to challenge and assess key assurance reports. The

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Committee should also be able to assess its own activity and performance, and produce at least an annual report on this.

- 5.8 A survey of all members of the Audit and Governance Committee was also undertaken as part of the review. The survey questions were derived from CIPFA guidance and reports. The objective of this exercise was to establish the views of the members of the effectiveness of the Committee's operation. The key theme from the responses is that effectiveness may be improved by a more in depth understanding of the audit and risk elements of the Committee's operation.

Proposals

- (a) We propose that the members of the Governance and Ethics Committee note the contents of the audit report, consider the recommended actions, and after consultation with the Chief Executive prepare a formal action plan. Contextual data relating to other local authorities audit committees is also included within the report, which supports the proposed recommended actions.

6. Other options considered

- 6.1 That the Committee takes no action in response to the report, although this would leave gaps in compliance with good practice guidance.

7. Conclusion

- 7.1 The report sets out recommended actions to improve the effectiveness of the Governance and Ethics Committee and ensure that the Audit Committee elements align with current recommended practice.

8. Appendices

- 8.1 Appendix A – Governance and Ethics Committee Effectiveness Draft Audit Report.

Background Papers:

None.

Subject to Call-In:

Yes: ☐ No: X ☐

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