

**WEST DUNBARTONSHIRE COUNCIL****Report by Strategic Lead - Resources****Audit Committee: 20 November 2019**

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**Subject: Audit Committee Annual Self-Assessment****1. Purpose**

- 1.1** The purpose of this report is to advise the Committee of the results of the annual self-assessment exercise carried out recently by the Chair of the Audit Committee and the Audit Manager.

**2. Recommendations**

- 2.1** It is recommended that Members:

- Note the progress of the agreed actions arising from the first self-assessment access carried out in 2018;
- Note the attached self-assessment which show that the Council's Audit Committee largely complies with Cipfa good practice and thereby can assess its performance as generally meeting the Cipfa requirements;
- Approve the actions identified from this latest self-assessment and request that these are now progressed;
- Note that progress on the completion of the agreed actions will be reported annually to the Audit Committee;
- Agree that subsequent reviews should take place every three years; and
- Consider knowledge and skills framework for potential areas for development within the Elected Member development programme.

**3. Background**

- 3.1** The annual self-evaluation review for 2016/17 of the Council's Local Code of Good Governance was carried out by a group of Officers and identified a number of improvement actions, including one which required a review of the Council's Audit Committee. A key element of recognised good practice for an audit committee is that it periodically undertakes a self-assessment of its activities and effectiveness. At the Audit Committee meeting on 21 March 2018, Members agreed that the Chair of the Audit Committee and the Audit Manager should meet to complete the two self-assessment documents from which an action plan would be prepared of any process improvements identified and reported to subsequent meetings of the committee.
- 3.2** The first self-assessment was reported to committee in December 2018 and this report provides the outcome of the second annual self-assessment. It is proposed that subsequent reviews take place every three years.

## **4. Main Issues**

### Audit Committee Self-Assessment

- 4.1** In order to address the specific action on the Audit Committee, arising from the review of the Local Code of Good Governance, the contents of the CIPFA publication "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018 Edition)" were considered by the Chair of the Audit Committee and the Audit Manager. This publication represents Cipfa's view of best practice for audit committees in local authorities and contains a number of appendices, including:
- Self-Assessment of Good Practice; and
  - Evaluation the Effectiveness of the Audit Committee.
- 4.2** Progress on the completion of the actions arising from the first self-assessment carried out in 2018 is provided at Appendix 1.
- 4.3** In order to carry out the annual self-assessment for 2019, the Chair of the Audit Committee and the Audit Manager have discussed and completed these documents which are included at Appendix 2 and Appendix 3 respectively.
- 4.4** Included in this Cipfa publication is an appendix entitled: "*Audit committee members - knowledge and skills framework*". This is included at Appendix 4 to this report and sets out a knowledge and skills framework. This can be used to guide members on their training needs and to evaluate the overall knowledge and skills of the committee. It can also be used when recruiting independent members. A distinction is made between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee. The audit committee should review risks, controls and assurances that cover the whole operation of the authority so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience, for example in accountancy, audit, governance and risk management, will add value to the committee.
- 4.5** This Cipfa publication also includes a Position Statement on audit committees in local authorities which sets out CIPFA's view of the role and functions of an audit committee. This is included at Appendix 5.
- 4.6** It is important that the Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees in order to ensure that it can evidence its effectiveness as a scrutiny body as a foundation for strong corporate governance.
- 4.7** Overall, the self-assessment indicates that the Audit Committee demonstrates a good level of compliance with expected good practice and it is largely effective in discharging its roles and responsibilities. Areas of good practice include:

- Elected Members and Offices are considered to have good awareness of the role and purpose of the Audit Committee;
- The Chair of the Audit Committee is from the Opposition (as is Vice Chair);
- The committee has Lay Members;
- The Administration has a minority of members on the Audit Committee;
- The Audit Committee has good working relations with External Audit, Internal Audit, the Chief Executive, Strategic Director – T&PSR and the Strategic Lead – Resources;
- The Audit Committee supports the role of audit in improving internal control and governance;
- From 2018/19 onwards, the draft Annual Governance Statement has been submitted to the Audit Committee as a standalone document;
- This self-assessment is carried out annually against best practice, using the Cipfa documents; and
- From 2018/19 onwards, an annual report on the Audit Committee has been prepared so that it can account for its performance and explain its work to Council.

**4.8** The self-assessment, however, also identified areas where there is an opportunity for improvement. Suggested actions in relation to these issues are noted in Appendices 2 and 3, with the action points identified being:

- Members of the Committee should consider if there any knowledge or skills gaps, taken into account the content of the core knowledge and skills framework.

**4.9** One of the agreed actions arising from the initial self-assessment carried out in 2018 was:

*Obtain feedback on the performance of the Audit Committee from those interacting with the committee or relying on its work. This feedback should be incorporated into an Annual Report on the Audit Committee*

Accordingly, Elected Members who are not on the Audit Committee were asked the following three questions:

1. *Do you read the reports submitted to the Audit Committee?*
2. *Are there any areas / subject matters that you would wish or expect to be included in the Audit Committee agenda which are not included? If so, please provide details.*
3. *Does the work of the Audit Committee provide you with the necessary level of assurance in fulfilling your responsibilities as an Elected Member?*

Elected Members who serve on the Audit Committee were also given the opportunity to consider these questions.

- 4.10** Information on the responses received is included at Appendix 6. The Elected Members who responded confirmed that they do read the reports submitted to the Audit Committee and they were satisfied that the work of the Audit Committee provided them with the necessary level of assurance in fulfilling their responsibilities as Elected Members. However, there was some concern expressed in relation to a recent investigation, in terms of the length of time it took and delays in the Audit Committee being advised of issues identified. These issues have already been acted upon through an Internal Audit improvement action plan.

## **5. People Implications**

- 5.1** There are no personnel issues with this report.

## **6. Financial and Procurement Implications**

- 6.1** There are neither financial nor procurement implications arising directly from this report.

## **7. Risk Analysis**

- 7.1** There is a risk that if the Audit Committee does not address some of the issues highlighted from this review it will not maximise the opportunity for effective scrutiny. Implementing the suggested improvement action plan following from the self assessment will mitigate this risk.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** There are no issues.

## **9. Consultation**

- 9.1** This report has been subject to consultation with the Chair of the Audit Committee and appropriate Strategic Leads.

## **10. Strategic Assessment**

- 10.1** This report relates to strong corporate governance.

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**Stephen West**  
**Strategic Lead - Resources**  
**Date: 6 November 2019**

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**Appendices:**

1. Audit Committee Self-Assessment: Progress on Improvement Actions arising from 2018 Review
2. Self-Assessment of Good Practice Questionnaire
3. Evaluating the Effectiveness of the Audit Committee
4. Audit committee members - knowledge and skills framework.
5. Cipfa Position Statement on audit committees
6. Summary of responses asked to questions put to Elected Members about the Audit Committee

**Background Papers:** Audit Committee on 21 March 2018: Report - Evaluation of Effectiveness of Audit Committee

Audit Committee on 12 December 2018: Report - Audit Committee Self-Assessment and reporting on audit assignments

Audit Committee on 12 June 2019: Report - Annual Report on the Audit Committee

**Wards Affected:**

All Wards