

Committee	Dated:
Audit and Risk Management	08 Nov 2016
Subject: Results of 2016 Survey of Committee Members	Public
Report of: Town Clerk	For Information
Report author: Neil Davies, Town Clerk's Department	

Summary

This report presents the results of the latest survey of Members of the Audit and Risk Management Committee. Members are invited to consider what steps should be taken to address the issues highlighted. An initial analysis has identified some potential next steps, including:

- Conducting a survey amongst the Internal Audit Sections of London Boroughs to identify examples of good practice that we might wish to adopt in respect of their approach to issues raised in this survey.
- Considering an annual presentation on new developments, etc. for the Committee – potentially incorporating induction for new Members.
- Reviewing relevant training/publications/etc. available through CIPFA's Better Governance Forum.
- Aligning these proposals with the emerging outcomes of the Risk Management Review and the Strategic Review of Internal Audit.

A full set of proposals will be presented at the next meeting.

Overall, 89% of responses were “strongly agree” or “agree”, up from 85% in the last survey (2014). There were no responses of “strongly disagree”. A range of comments were made in all of the open comments boxes, and are noted in the relevant sections of the main report.

The areas with the highest percentage of “strongly agree” or “agree” responses were:

- Operation of the Committee: 97%
- Exercise of Functions: 95%
- Risk Management: 94%

The areas with the lowest percentage of “strongly agree” or “agree” responses were:

- Training and Awareness: 77%
- Fraud and Whistle-Blowing: 80%
- Internal Audit: 84%

Recommendation(s)

Members are asked to:

- Note the report, and
- Discuss the proposals for further work to address issues raised by the survey.

Main Report

Background

1. In February 2013 and November 2014, Members received reports on the first and second surveys of the Audit and Risk Management Committee, which were based on a model questionnaire issued by CIPFA. Members agreed that a third survey should take place in 2016.
2. The third survey took place earlier this year, and the results are presented in this report. Following discussion of these results, and the comments made in the open comments boxes, your officers will report back to the next meeting with a full set of proposals to address the issues raised. An outline of the work proposed is included later in this report.

Methodology

3. The methodology used was agreed by Members in January. The questions used were largely retained from the previous survey, with the addition of a section on Internal Control. As for the previous survey, Members were asked to give answers on a four-point scale of “strongly agree” to “strongly disagree”. Open comments boxes were included at the end of most of the sections.
4. Nine responses were received (up from seven in 2014), although some Members did not answer all of the questions. Overall, 89% of responses were “strongly agree” or “agree”; up from 85% in 2014. There were no responses of “strongly disagree”. Individual comments were made in all of the open comments boxes, and are noted under each of the sections below.

Operation of the Committee

5. Members’ responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee meets regularly enough to cover its work programme effectively	6	3	0
Agenda papers are circulated sufficiently in advance of meetings to enable full and proper consideration to be given to the important issues	6	3	0
Committee decisions are reached fairly and promptly	4	4	1
The Committee is sufficiently independent of other key Committees	5	4	0
The Committee has sufficient access to other Committees as necessary	2	7	0
Reports provide sufficient information for informed and robust decision making (i.e. are not overly lengthy and clearly explain the key issues and priorities)	0	8	1

The Committee has the benefit of attendance of appropriate officers at its meetings	4	5	0
The officers who attend meetings are effective in providing relevant information to the Committee	2	7	0
Overall %	40%	57%	3%

6. The following comments were made in response to the question; “What could the Committee do better or differently to improve its effectiveness?”

- *Distribute papers a bit earlier. Make them shorter - ideally single page papers accompanied by multi page appendices. Make it very clear what recommendation is proposed.*
- *The chairman could provide a clearer lead in dealing with matters, e.g. trying to scope questions before they are asked, so that questioning isn't just taken in turn.*
- *Refrain from deviation*
- *Not much. Risk challenge sessions working well, members meet with Head of Internal Audit and external Auditors*
- *I think the effectiveness of the committee has grown over time. The deep dive principles and the challenge sessions are very worthwhile*
- *As members perhaps we sometimes should be more focussed on our discussions*
- *The number of officers attending has reduced, which is helpful, although perhaps it could be reduced further.*
- *Debate should revolve around members' views with the chair summing up.*
- One Member answered: “none”.

Training and Awareness

7. Members' responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
Members are provided with sufficient training and other information/resources to perform their role effectively and independently	0	7	2
Members have sufficient knowledge of the organisation to identify the key risks and to challenge managers and internal and external audit on critical and sensitive issues	1	7	1
Members keep abreast of best practice and developments in corporate governance in local government and more widely	0	6	2
New Members of the Committee are provided with an appropriate induction into the work of the Committee	1	4	3
Overall %	6%	71%	24%

8. The following comments were made in response to the question; “In what areas do you feel that more training/information is required to increase the effectiveness of the Committee?”

- *Better induction including overview of which officers take ultimate responsibility for which controls.*
- *I would have liked a neither agree nor disagree. The CIPFA advanced audit committee workshop some years ago was good and I would welcome something like it.*
- *I don't know what is given to new members. I think existing members could have an annual session on new developments*
- *More about the working of the City.*
- *Increase the number of deep dives*
- *Induction is invisible to existing members. The committee does not put training requirements into the members development programme. Most members have professional obligations for training but again invisible to committee as a whole.*
- Two Members answered: “none”.

Exercise of Functions

9. Members’ responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee is effective in its role in overseeing external audit plans, reports and recommendations	3	6	0
The Committee is effective in its role in overseeing internal audit planning and operation	3	5	1
The Committee is effective in its role in overseeing the risk management strategy and assurance framework	0	9	0
The Committee is effective in its role in overseeing the effectiveness of internal control arrangements	3	4	2
The Committee is effective in its role in overseeing anti-fraud and whistleblowing arrangements	2	7	0
The Committee is effective in its role in overseeing the annual audited accounts	5	4	0
The Committee is effective in its role in overseeing external inspection reports and the actions taken in response to recommendations made	1	8	0
Overall %	27%	68%	5%

10. The following comments were made in response to the question; “Are there any areas that the Committee should devote more attention to over the next 12/18 months?”

- *Early opportunity to discuss and debate internal audit priorities for the ensuing year.*
- *Governance around schools*
- *The appointment of new External auditors and the way internal audit has changed over the last 12 months are positive.*
- *The progress made by the new Internal Auditor*
- *depends on result of risk management review which may well focus next year's work.*
- Two Members answered: "no" or "none".

11. The following comments were made in response to the question; "Are there any areas that the Committee should devote less attention to over the next 12/18 months?"

- *Areas accepted as those of low priority and low risk.*
- Six Members answered: "no" or "none".

External Audit

12. Members' responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee is satisfied with the process by which it reviews and assesses the external audit work plan	1	8	0
There is effective dialogue between the Committee and external audit, for example regarding the work plan, major issues that arise during the audit, key accounting and audit judgements, and the level of errors identified during the audit	4	4	1
The Committee is satisfied with the arrangements for private meetings with the external auditors	1	7	1
The Committee is effective in assessing whether officers are taking action to implement external audit recommendations	1	5	3
The Committee is satisfied that the external audit work plan focuses on the key audit risks	3	6	0
The Committee is satisfied with the quality of external audit reports presented to the Committee	2	7	0
Overall %	22%	68%	9%

13. The following comments were made in response to the question; "Are there any improvements you would suggest to the way that external audit work is reported to the Committee?"

- *Way in which actions are monitored remains woolly should officers be less than open about progress.*

- *This is the first complete year with the new auditors, and I think we need to reserve judgement on some of the questions posed*
- *External audit could give a short presentation on their results at the beginning of the item*
- *Much improved since a change in auditors.*
- Four Members answered: “no” or “none”.

Internal Audit

14. Members’ responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee is satisfied with the process by which it reviews and assesses the internal audit plan and programme of work	1	7	1
The Committee is satisfied that the Internal Audit programme of work focuses on the key risks and controls	0	8	1
The work of internal audit is reviewed and reported regularly	2	7	0
The Committee is satisfied with the annual assurance report from the Head of Internal Audit and Risk Management	0	9	0
The Committee is satisfied with the quality of internal audit reports produced	0	6	3
There is effective communication between the Committee and internal audit	2	7	0
The Committee is satisfied with the arrangements for private meetings with internal audit	1	5	2
The Committee is effective in assessing the independence and effectiveness of internal audit	2	5	2
The Committee is effective in assessing the adequacy of internal audit staffing (including experience, expertise and professional standard) and other resources	0	5	4
The Committee is effective in assessing the implementation of internal audit recommendations	0	8	1
Overall %	9%	75%	16%

15. The following comments were made in response to the question; “Are there any improvements you would suggest to the way that internal audit work is reported to the Committee?”

- *I think the whole way in which internal audit is used could be improved. Private meetings should be held as a matter of course without other officers necessarily present. Such meetings would also allow the Committee to express more effectively its views as to whether risks should be put on the register or removed.*
- *Some improvement in report writing would reduce the need for questions. I find that I can read a report and predict at least some of the questions.*
- *I think we need more private time with internal audit. I may just feel that because as deputy chairman I was used to periodic private sessions with the head of internal audit*
- *More timely reporting. Much improved since the new management is in place.*
- *I feel we have lost a little focus on this in favour of risk. This may reflect were the work needs to be done but may need to rebalance.*
- Three members answered: “no” or “none”

Risk Management

16. Members’ responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee is given sufficient information on the City Corporation’s risk management policy and procedures	2	7	0
The Committee is effective in assessing the overall risk management strategy	2	7	0
The Committee is effective in assessing individual corporate risks and gaining assurance that they are managed and mitigated effectively	2	7	0
The Committee is effective in assessing the operation of risk management throughout the organisation	1	6	2
Overall %	19%	75%	6%

17. The following comments were made in response to the question; “Are there any improvements you would suggest to the way that risk management issues are reported to the Committee?”

- *To be effective I think that the Committee should be able to make clear recommendations as to where it thinks change is necessary and for such thoughts to be aired as a matter of course to the relevant Committee.*
- *We need to manage the risk challenge sessions better. There is too much opportunity for the officers to just talk. We need to focus on the areas where we have identified issues. Risk appetite is a key area for the Corporation to review.*
- *The risk deep dives should be linked to internal controls so we cover both risk and internal audit in the lead officer sessions.*
- Five Members answered: “no” or “none”.

Fraud and Whistle-Blowing

18. Members' responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee is given sufficient information on the City Corporation's anti-fraud and corruption strategy	4	3	2
The Committee is given sufficient information on the City Corporation's whistle-blowing policy	1	7	1
The Committee is effective in assessing the anti-fraud and corruption strategy	1	7	1
The Committee is effective in assessing the whistle-blowing policy	1	7	1
The Committee is effective in assessing whether effective arrangements have been established and implemented throughout the organisation	1	4	4
The Committee is effective in assessing whether officers are responding appropriately to fraud issues and cases	1	6	2
Overall %	17%	63%	20%

19. The following comments were made in response to the question; "Are there any improvements you would suggest to the way that fraud and whistle-blowing issues are reported to the Committee?"

- *Perhaps a summary of anti-fraud processes and procedures. Or a short verbal overview.*
- *It can be frustrating that details of investigations are not available. Could we use yellow or blue pages for greater detail?*
- *We need more information on this.*
- *Not at present.*
- Three Members answered: "no" or "none".

Internal Control

20. Members' responses were as follows:

Question:	Number of responses		
	Strongly agree	Agree	Disagree
The Committee is given sufficient information on the Annual Governance Statement and the evidence that underpins it	1	7	1
The Committee is effective in assessing whether the system of internal control has operated throughout the reporting period	0	9	0

The Committee is effective in assessing whether corporate governance is embedded throughout the organisation	1	7	1
The Committee is effective in assessing whether the system of internal reporting gives early warning of control failures and emerging risks	0	8	1
Overall %	6%	86%	8%

Next Steps

21. An initial analysis by your officers of the results and the comments made has identified some potential next steps, including:

- Reviewing guidance for report authors.
- Conducting a survey amongst the Internal Audit Sections of London Boroughs to identify examples of good practice elsewhere that we might wish to adopt in respect of their approach to issues including: mapping of internal controls; training for Audit Committee members; meetings with External and Internal Audit; Internal Audit resources, and Chief Officer assurances (sign-off) of key internal controls.
- Reviewing induction for new Members of the Committee.
- Considering an annual presentation on new developments, etc. for all Members of the Committee – potentially incorporating induction for new Members.
- Reviewing relevant training/publications/etc. available through CIPFA's Better Governance Forum.
- Aligning these proposals with the emerging outcomes of the Risk Management Review and the Strategic Review of Internal Audit.

22. A full set of proposals will be presented at the next meeting.

Appendices: None

Background Papers:

Audit and Risk Management Committee Survey – 26 January 2016

Neil Davies

Corporate Performance Manager, Town Clerk's Department

T: 020 7332 3327

E: neil.davies@cityoflondon.gov.uk