

Committee(s)	Dated:
Audit and Risk Management Committee	28 November 2017
Subject: Survey of Committee Effectiveness	Public
Report of: Town Clerk	For Discussion
Report author: Neil Davies, Town Clerk's Department	

Summary

This report presents proposals arising from the most recent (2016) survey of Members of the Audit and Risk Management Committee.

As reported previously to Members, the 2016 survey produced slightly more positive results than the previous survey and a range of useful suggestions and comments.

A number of these have been taken forward in other reports presented to this Committee meeting, in particular those on risk appetite and the External Quality Assurance of Internal Audit.

This report makes a number of suggestions for Members to consider, particularly in the areas of training and awareness, aimed at improving the effectiveness of the Committee in carrying out its key tasks.

Recommendation(s)

Members are asked to:

- Note the report.
- Consider the proposals made to improve the effectiveness of the Committee in carrying out its key tasks

Main Report

Background

1. The third effectiveness survey of Committee Members was undertaken in 2016 and the results reported to this Committee. These showed a slight improvement on the previous survey, both in terms of the percentage of positive responses, and in terms of the responses received. Overall, 89% of responses were "strongly agree" or "agree", up from 85% in the previous survey in 2014. There were no responses of "strongly disagree".
2. Following discussion of the results, Members agreed to receive a further report looking at proposed actions to be taken in response.

Current Position

3. The following sections summarise the key issues raised by Members, with comments and where appropriate possible actions for consideration.

Operation of the Committee

4. Members commented that reports could be shorter and recommendations clearer. The latest guidance note for Chief Officers and report authors on committee report writing (April 2016) is available for all staff on the Intranet. On the two specific issues raised, the guidance emphasises that reports should be kept to four pages or fewer on all but the most complex issues, and that recommendations should always be clear and never open to interpretation through ambiguous drafting. This guidance will be re-emphasised to the key officers reporting to this Committee.
5. Members also commented on the balance of items being considered by the Committee. As an initial step, a revised format for the forward work programme has been developed (Appendix 1) which is structured according to the key work areas for the Committee: financial statements, internal audit, governance, etc. This will enable Members to see more clearly the scheduling of reports across the key areas and the balancing of workloads between meetings, and thereby inform decisions on any rebalancing of the forward work programme.

Training and Awareness

6. This was the area with the lowest percentage of “strongly agree” or “agree” responses in the survey. Comments were made about induction training, regular updates and training requirements. Guidance strongly suggests that audit committees should receive regular briefings and training to help them to improve their effectiveness in providing challenge and undertaking their other roles.
7. Listed below are number of possibilities for Members to consider, which would assist in briefing Members on emerging developments in risk, audit and governance issues; enable Members to learn more about the City Corporation’s activities and services; add variety to the Committee’s meetings, and formalise induction arrangements.
 - i. Regular circulation of the CIPFA Better Governance Forum Audit Committee updates, to increase general awareness of topical issues and good practice. These are published three time per year and each issue includes a summary of new guidance, legislation, consultations and reports that may be of interest. The most recent issue (from September 2017) is attached as Appendix 2.
 - ii. Audit committee members can also access other resources on the Better Governance Forum website (<http://www.cipfa.org/services/networks/better-governance-forum>), including training and other supporting resources.
 - iii. Circulation of other published papers with specific relevance to the Audit & Risk Management Committee – for example the National Audit Office recently published a good practice guide on cyber security and information risk guidance for audit committees, and in December, CIPFA is due to publish a revision of their Practical Guidance for Local Authority and Police Authority Audit Committees.

- iv. Formally capturing Members' skills and experience and developing training programmes, where appropriate, to address any gaps.
- v. Occasional briefings or presentations to the Committee on topics of interest or on specific functions or service areas – including from external sources. Following the expansion some while ago of the Committee's remit to include Risk Management, two briefings were given by an external risk expert from the Better Governance Forum at the start of the formal meeting of the Committee.
- vi. Development of a standard Committee induction/welcome pack including: the Audit and Risk Management Committee handbook; the Corporate Plan; annual accounts; code of conduct and ethical statements; key internal and external audit reports; forward work programme; background information on other Committee Members and key policies relating to the work of the Committee.

Functions of the Committee

- 8. Members made several comments on the Committee's effectiveness in overseeing internal audit planning and operation, and in respect of fraud and whistle-blowing arrangements, which were the two functional areas with the lowest percentage of "strongly agree" or "agree" responses in the survey.
- 9. A report elsewhere on the agenda provides an update on the External Quality Assessment (EQA) of the internal audit section. Implementation of the recommendations from that review will enable Members to be provided with better information on audit planning, the implementation of Internal Audit recommendations, and the use of Internal Audit Staffing resources. Members should also be provided with greater assurance regarding staff skills and capabilities and generally more informative reporting.
- 10. In respect of fraud and whistle-blowing arrangements, Members requested more information on the anti-fraud and corruption strategy and the whistle-blowing policy, and more information on the establishment of appropriate arrangements throughout the organisation. It is proposed that a report on these issues is presented to the Committee as a companion piece to the Annual Governance Statement when this is presented for approval in May 2018.
- 11. On risk management, Members highlighted the development of a risk appetite as a key area. This is covered by another report on the agenda.
- 12. It was also suggested that to improve the focus on Internal Audit and fraud prevention, those areas are also incorporated into the informal Chief Officer sessions along with risk management.

CIPFA Survey of Audit Committees

- 13. In 2016, CIPFA undertook a survey on audit committees in local authorities across the UK, which included a section on audit committee effectiveness. The recommendations arising from the work on effectiveness are:
 - All audit committees should review their performance and seek feedback from those who regularly work with the committee or rely on its assurances.

- Audit committees should identify any barriers to improving their effectiveness and seek to address them.
- Those committees that do not already do so should consider producing an annual report to explain their role and demonstrate the value they have added. (In the survey 35% of local authorities produced an annual report available to the public.)
- All audit committees should ensure that they have a clear and accessible statement on the website that explains their role and helps stakeholders to understand their work and contribution.

14. Members are invited to consider whether it would be appropriate to produce an annual report on the work of the Committee and to publish this on the City's website.

Future reviews of Committee effectiveness

15. This is the third survey to have been undertaken, following those in 2012 and 2014. At a previous meeting, Members suggested that the committee effectiveness review/survey could be scheduled less frequently and the Town Clerk agreed to check whether there was any guidance on frequency and good practice.

16. A review of guidance regarding the evaluation of audit committee effectiveness in the public and private sectors shows that although there is a clear steer for some form of review to take place on a "regular" basis, there is no hard and fast guidance over the frequency of conducting self-assessment questionnaires. In 2016, CIPFA stated that reviews help organisations to evaluate the committee's success in fulfilling their terms of reference, meet expectations and add value. In their survey (see above) 50% of local authorities had undertaken a self-assessment in the previous year.

17. An option for Members to consider would be for an annual desk-top assessment against the practical guidance issued by CIPFA, supplemented by a survey every, say three or four years. This should not, of course, prevent Members from making suggestions at any time on improving the effectiveness of the Committee. Future effectiveness reviews could also incorporate an element of formal consultation with other Internal Audit sections to determine best practice from elsewhere that may be transferrable to the City Corporation.

Conclusion

18. The 2016 effectiveness survey of Committee Members produced slightly more positive results than the previous survey and a range of useful suggestions and comments. A number of these have been taken forward in other reports presented to this Committee meeting, in particular those on risk appetite and the External Quality Assurance of Internal Audit. This report makes several suggestions for Members to consider, particularly in the areas of training and awareness, aimed at improving the effectiveness of the Committee in carrying out its key tasks.

Appendices:

- Committee Workplan - revised format – at Item 5 on this agenda.
- CIPFA Better Governance Forum – Helping Audit Committees to be Effective.

Background Papers:

- Audit and Risk Management Committee Survey (26/1/16)
- Results of 2016 Survey of Committee Members (8/11/16)

Neil Davies

Corporate Performance Manager

T: 020 7332 3327

E: performance@cityoflondon.gov.uk