

Committee:	Date:
Audit and Risk Management Committee	26 January 2016
Subject: Audit and Risk Management Committee Survey	Public
Report of: Town Clerk	For Decision
Report Author: Neil Davies – Head of Corporate Performance and Development	
Summary	
<p>The first review of the effectiveness of the Audit and Risk Management Committee was reported in 2013, and included a survey of all Members of the Committee. This survey was repeated in 2014. When reviewing the results of that survey, Members agreed to continue to run the effectiveness survey periodically, but requested that the Committee be given the opportunity to review the questions before the next survey took place.</p> <p>In response to this request, a review of the questions used has been carried out, with reference to recent publications covering this issue in both public and private sectors. This report presents a series of suggestions for amended and replacement questions to the Committee for approval.</p> <p>Once agreed, it is suggested that the survey be conducted during February, with the results being reported to the Committee at its meeting in June 2016.</p>	
Recommendations:	
Members are asked to:	
<ul style="list-style-type: none">• Agree that the next survey of Members of this Committee takes place in February, to be reported to the June meeting of this Committee;• Agree to the retaining the methodology used in the 2014 survey, and• Consider suggestions for amended and replacement questions.	

Main Report

Background

1. In February 2013, Members received a report on the first effectiveness review of the Audit and Risk Management Committee. This included the results of a survey of Members of the Committee, which was based on a model questionnaire issued by CIPFA.

2. A second survey was reported to Members in November 2014. Overall 85% of responses were positive (i.e. “strongly agree” or “agree”), compared with 90% in the previous survey. Results of over 90% were recorded for the operation of the Committee, and training and awareness. The lowest scoring area related to fraud and whistle-blowing, although even here, 77% of responses were “strongly agree” or “agree”.
3. Members agreed to continue to run the effectiveness survey, and requested that the Committee be given the opportunity to review the questions before the next survey took place. This report discusses the questions and methodology to be used for the next survey.

Methodology

4. For the 2014 survey, the questions used in the first survey were retained, but the answer options were amended from “yes/no” to a four-point scale of “strongly agree”, through to “strongly disagree”. This was designed to give Members more option in answering the questions, and facilitate better analysis of trends. It is proposed that this answer option format is retained.
5. Fewer responses were received in 2014 compared with the first survey. For this, and any subsequent surveys, officers will ensure that sufficient time is allowed for reminders to be issued. On both previous surveys, Members have taken the opportunity to add comments in open comments boxes and it is proposed that these are retained.

Survey Questions

6. In the 2014 survey, the questions were divided into three general sections about the Committee, followed by individual sections on specific aspects of the Committee’s functions. The same basic principle has been retained here. Each of the tables below shows the questions asked in 2014, together with suggested changes.
7. The suggestions are based on an analysis of recent publications on the effectiveness of audit committees from the National Audit Office (based on the HM Treasury model), PwC, Board benchmarking/KPMG, Grant Thornton (in respect of Housing Associations), and CIPFA.

Operation of the Committee	Suggested changes:
The Committee meets regularly enough to cover its work programme effectively	
Agenda papers are circulated sufficiently in advance of meetings <i>to allow adequate preparation by members</i>	Amend italicised section to: ...enable full and proper consideration to be given to the important issues
Committee decisions are reached fairly and promptly	

The Committee is sufficiently independent of other key Committees	
The Committee has sufficient access to other Committees as necessary	
<i>Reports to Members communicate relevant information at the right frequency, time and in a format that is effective</i>	Replace with: Reports provide sufficient information for informed and robust decision making (i.e. are not overly lengthy and clearly explain the key issues and priorities)
The Committee has the benefit of attendance of appropriate officers at its meetings	
The officers who attend meetings are effective in providing relevant information to the Committee	
<i>Do you have any suggestions for improvements to the operation of the Committee?</i>	Replace with: What could the Committee do better or differently to improve its effectiveness?

Training and Awareness	Suggested changes:
Members are provided with sufficient training and other information/resources to perform their role effectively and independently	(see paragraph 10 below)
	New question: 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
	New question: Members keep abreast of best practice and developments in corporate governance in local government and more widely
New Members of the Committee are provided with an appropriate induction into the work of the Committee	(see paragraph 11 below)
<i>Are there more areas where you feel that more training/information is required to increase the effectiveness of the Committee?</i>	Amend opening to: ...In what areas do you feel ...

8. The National Audit Office (NAO) suggests that Audit Committee Members should have, or acquire as soon as possible after appointment, an understanding of: the objectives of the organisation and current significant issues; the organisation's structure; its culture; any relevant legislation, and the wider environments in which the organisation operates.

9. In respect of “appropriate” induction, the following are suggested: Committee Terms of Reference; recent reports and minutes; key accounting standards; risk and governance frameworks; external and internal work plans and assurances, and meetings with reporting management and auditors.

Functions (NB The questions in this section are aligned with the key areas of assurance in the Committee’s Terms of Reference.)	Suggested changes:
The Committee is effective in its role in overseeing external audit plans, reports and recommendations	
The Committee is effective in its role in overseeing internal audit planning and operation	
The Committee is effective in its role in overseeing the risk management strategy and assurance framework	
The Committee is effective in its role in overseeing the effectiveness of internal control arrangements	
The Committee is effective in its role in overseeing anti-fraud and whistleblowing arrangements	
The Committee is effective in its role in overseeing the annual audited accounts	
The Committee is effective in its role in overseeing external inspection reports and the actions taken in response to recommendations made	
<i>Do you have any suggestions for improvements to the operation of the Committee?</i>	Replace with: Are there any areas that the Committee should devote (a) more and (b) less attention to over the next 12/18 months
External Audit	Suggested changes:
<i>The Committee is given sufficient information on the external audit programme of work</i>	Replace with: The Committee is satisfied with the process by which it reviews and assesses the external audit work plan
<i>The Committee is able to provide sufficient input into the external audit programme</i>	
There is effective <i>communication</i> between the Committee and external audit	Replace “communication” with “dialogue” and add .. 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

	New question: Arrangements for private meetings with the external auditors are satisfactory
The Committee is effective in assessing whether officers are taking action to implement external audit recommendations	
<i>The Committee is effective in assessing the performance of external audit</i>	Replace with: The Committee is satisfied that the external audit work plan focuses on the key audit risks ..and: The Committee is satisfied with the quality of external audit reports presented to the Committee
Are there any improvements you would suggest to the way that external audit work is reported to the Committee?	

Internal Audit	Suggested changes:
<i>The Committee is given sufficient information on the production of the internal audit plan and programme of work</i>	Replace with: The Committee is satisfied with the process by which it reviews and assesses the internal audit plan and programme of work
<i>The Committee is able to provide sufficient input into the internal audit programme</i>	Replace with: The Committee is satisfied that the Internal Audit programme of work focuses on the key risks and controls
The work of internal audit is reviewed and reported regularly	
The annual assurance report from the Head of Internal Audit and Risk Management is satisfactory	
	New question: The Committee is satisfied with the quality of internal audit reports produced
There is effective communication between the Committee and internal audit	
	New question: Arrangements for private meetings with internal audit are satisfactory
The Committee is effective in assessing the <i>performance</i> of internal audit	Replace “performance” with “independence and effectiveness”
The Committee is effective in assessing the adequacy of internal audit staffing and other resources	Insert, after staffing: (including experience, expertise and professional standard)

The Committee is effective in assessing the implementation of internal audit recommendations	
Are there any improvements you would suggest to the way that internal audit work is reported to the Committee?	

Risk Management	Suggested changes:
The Committee is given sufficient information on the City Corporation's risk management policy and procedures	
The Committee is effective in assessing the overall risk management strategy	
The Committee is effective in assessing individual corporate risks	Add: and gaining assurance that they are managed and mitigated effectively
The Committee is effective in assessing the operation of risk management throughout the organisation	
Are there any improvements you would suggest to the way that risk management issues are reported to the Committee?	

Fraud and Whistle-blowing
NB: No changes are proposed to this set of questions
The Committee is given sufficient information on the City Corporation's anti-fraud and corruption strategy
The Committee is given sufficient information on the City Corporation's whistle-blowing policy
The Committee is effective in assessing the anti-fraud and corruption strategy
The Committee is effective in assessing the whistle-blowing policy
The Committee is effective in assessing whether effective arrangements have been established and implemented throughout the organisation
The Committee is effective in assessing whether officers are responding appropriately to fraud issues and cases
Are there any improvements you would suggest to the way that fraud and whistle-blowing issues are reported to the Committee?

10. Previous versions of the survey did not include any questions on internal control – it is proposed that the following set of questions is added:

Internal Control
The Committee is given sufficient information on the Annual Governance Statement and the evidence that underpins it
The Committee is effective in assessing whether the system of internal control has operated throughout the reporting period
The Committee is effective in assessing whether corporate governance is embedded throughout the organisation
The Committee is effective in assessing whether the system of internal reporting gives early warning of control failures and emerging risks

Conclusion

11. It is generally recognised that well-functioning audit committees help organisations achieve good corporate governance. Recommended best practice also states that audit committees should periodically review their effectiveness. Following an initial review in 2013, it was agreed that a periodic survey should take place of Members of the City Corporation's Audit and Risk Management Committee.
12. As requested by Members after the last survey, a review of the questions used has been carried out, with reference to recent publications covering this issue in both public and private sectors. As a result, a series of suggestions for amended and replacement questions is being presented to the Committee for approval.
13. Once agreed, it is suggested that the survey be conducted during February, with the results being reported to the Committee at its meeting in June.

Appendices – none

Background Papers:

Report to Audit and Risk Management Committee 5th February 2013: Audit and Risk Management Committee Effectiveness Review

Report to Audit and Risk Management Committee 4th November 2014: Audit and Risk Management Committee Survey

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