

# Chairman's Annual Report 2017/18

Audit, Risk and Governance Committee

Lancashire County Council



## **Contents**

<b>Section</b>	<b>Page</b>
Chairman's Introduction	3
Role of the Audit, Risk and Governance Committee	4
Key Activities	5
Membership, Meetings & Attendance	12
<b>Annex</b>	
1 Audit, Risk and Governance Committee Terms of Reference	13
2 Draft Knowledge & Skills Framework	17
3 Audit, Risk and Governance Committee Effectiveness Questionnaire	23

## **Chairman's Introduction**

As the Chairman of the Audit, Risk and Governance Committee I am very pleased to present the first annual report which sets out the role of the Audit, Risk & Governance Committee, and summarises the work we have undertaken during the financial year 2017/18.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) and continues to be well supported by Officers, providing a high standard of reports and presentations. In particular I wish to thank the County Council's Finance and Internal Audit services and the Grant Thornton External Audit team.

I should like to take this opportunity to give my personal thanks to all the officers, my Deputy Chairman County Councillor Edward Nash and without exception, all fellow Committee members who have contributed and supported the work of the Committee in any meaningful and positive way throughout the past year.

**County Councillor Alan Schofield**

Chairman, Audit, Risk & Governance Committee

## **Role of the Audit and Governance Committee**

The Audit, Risk and Governance Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2013. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
2. The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

In essence, the Audit, Risk and Governance Committee provides an independent oversight of the adequacy of the Council's governance, risk management and internal control framework; and oversees the financial reporting process.

As reflected in its terms of reference, the Committee has a scrutiny and monitoring role in the oversight of, and proposed changes to, the Council's borrowing, investment and other cash-related strategies and management.

The Audit and Governance Committee replaced the Audit Committee from 2012 and in October 2017, the Full Council approved a proposal to change the name of the committee to the Audit, Risk and Governance Committee to reflect a change in its terms of reference.

Further guidance has recently been published by CIPFA, 'Audit Committees: Practical Guidance for Local Authorities and Police 2018'. This replaces the position statement referred to above and I will, in due course, ask the Committee to consider the new guidance as part of a future effectiveness review.

The key functions of the Audit, Risk and Governance Committee are defined within the Council's Constitution; the relevant extract is attached as Annex 1 to this report.

## **Key Activities**

In this section the activities of the Committee during 2017/18, are summarised under the headings of the key functions.

### ***Internal Control***

The Audit, Risk & Governance Committee approved the Annual Governance Statement (AGS) for 2016/17 in June 2017. This included actions for 2017/18, within the following areas, to improve existing governance arrangements.

- The County Council's Financial Position
- Delivery of the Ofsted Improvement Plan
- Special Educational Needs and Disability Inspection
- Health and Social Care Integration
- A Combined Authority for Lancashire
- Systems Development & Data Quality

The Committee actively monitors progress through the Corporate Risk and Opportunity Register and specific reports especially in reviewing key risks and opportunities.

The Committee received and considered required updates from directors or heads of service in the following areas:

- Liquid Logic System Upgrade
- Actions to enhance the Committees effectiveness as an element of the Council's governance framework
- Health, Safety and Resilience
- Standards and Code of Conduct
- Overpayment of Salaries

The Committee receives regular progress reports from the Head of Internal Audit, including the summaries of the findings and outcomes of Internal Audit work.

In June 2017, the Committee approved an updated Local Code of Corporate Governance and recommended its adoption to Full Council.

### ***Risk Management***

The Committee has continued to receive quarterly updates from the Head of Legal and Democratic Services on the Corporate Risk & Opportunity register. The register is signed off by the Corporate Management Team and is then presented to the Cabinet Committee on Performance Improvement before it is presented to this committee. The reports reviewed have demonstrated good progress in the alignment between risk and performance reporting and the link to key issues identified in the AGS.

An Internal Audit review gave full assurance over the process by which the corporate register is prepared.

A training session on Risk Management was held for committee members in June 2017.

### ***Internal Audit***

In April 2017 the Committee considered the draft Internal Audit Plan 2017/18, which provides members with the opportunity to challenge and influence the plan where they have identified areas of concern. The full Plan was approved by the Committee in July 2017.

The regular update reports of the Head of Internal Audit to the Committee have enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with the Senior Officers to seek assurance that matters are being dealt with promptly and effectively.

The Internal Audit Annual Report 2016/17 was presented to the Committee in June 2017 and that for 2017/18 was presented in April 2018. These reports summarised the work undertaken by the Internal Audit Service and the key themes arising in relation to internal control, governance and risk management across the County Council. However, during both years our assurance framework identified service areas where improvements needed to be made. The council has introduced improvement plans and whilst the overall direction of travel in these areas is positive, the evidence needed to provide substantial assurance was not available. As a result, the Head of Internal Audit's overall opinions as set out in the Annual Reports is that only limited assurance can be given regarding the adequacy of the design and effectiveness in operation of the organisations framework for governance, risk management and control for 2016/17 and for 2017/18.

## ***External Audit***

The Council's external auditors, Grant Thornton LLP, attended all the committee meetings during 2017/18, providing regular updates on their work plan and any matters arising. In addition they have provided the Committee with sector updates for consideration that highlight key themes, issues and priorities for local government. These have been well received and are helpful to the Committee. The Committee received and reviewed the External Audit Annual Letter.

Last July the Committee considered a report on the External Auditor appointment process. Previously, full council had agreed to opt into an approved sector led body approach to appointing its external auditor for the five years commencing 1<sup>st</sup> April 2018. This allowed Public Sector Audit Appointments Limited (PSAA) to act as the appointing person for the county council. The council had to secure an external auditor by December 2017. As part of the process, PSAA started consulting audited bodies on proposed appointments in August 2017. The consultation period was five weeks. Where a body accepts the proposed appointment no further action is needed. If the body does not accept the appointment it has the opportunity to make further representations. In this instance, the Chair of the committee would advise members accordingly.

It was agreed that the Director of Financial Resources in consultation with the Chair of the Committee be authorised to respond to the PSAA's consultation on the proposed appointment of an external auditor for the council, and subsequent consultations as necessary.

## ***Counter Fraud and Anti-Corruption***

The Committee receive regular updates from the Head of Internal Audit on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the Audit, Risk and Governance Committee.

In June 2017, we received a report on Whistleblowing, Special Investigations and Counter Fraud from the Head of Internal Audit, that highlighted there have been very few cases. Whilst it is not unexpected there is very little fraud identified, nationally statistics show that fraud is on the increase, so it is important that we all remain vigilant.

## ***Annual Accounts Process***

The 2016/17 Statement of Accounts (including Pension Fund accounts) were prepared on time and as an advance timeline of the shortened timescale for 2017/18 accounts onwards, and presented to the Committee for approval. The External Auditor concluded that the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

A dedicated advance session on the draft Statement of Accounts was held for the committee in June 2017.

## ***Treasury Management***

The Committee receives reports on Treasury Management throughout the year, exercising its stewardship role. The Committee reviewed:

- Treasury Management Activity 2016/17
- Lancashire County Council Treasury Management Investment Policy
- Treasury Management Activity 2017/18 Update
- Treasury Management Policy and Strategy 2018/19

A briefing session on treasury management by Arlingclose was held in June 2017.

## ***Governance***

The committee agreed the Annual Governance Statement 2016/17 that explained how the County Council had complied with the Local Code of Corporate Governance. The Committee reviewed the Local Code of Corporate Governance in June 2017 and recommended it to Full Council for approval.

The Committee has not received any reports in respect of investigations into allegations of misconduct under members' code of conduct. The Committee has not granted any dispensations from requirements relating to interests as set out in the code of conduct for members.

## ***Effectiveness of the Audit, Risk and Governance Committee***

At its meeting in July 2017, the Committee considered a report from the Head of Internal Audit on 'Actions to enhance the committee's effectiveness as an element of the Council's governance framework'. The Committee agreed to the following actions:

1. The governance framework for the Council overall should be reviewed to ensure that the roles of and relationships between its various elements are coordinated.

### ***Action***

In 2017, the Internal Audit Service completed a review of the Council's governance arrangements and the outcome confirmed that we largely comply with best practice. Further to this a member led governance review did not identify any changes to the current arrangements and the constitution was agreed at Full Council in May this year. However, work is underway to examine how the scrutiny function currently functions and recently the Committee



suggested some improvements to help Scrutiny Committees with their future work plans. As a result, both the Internal Audit Annual Report and future work plan were circulated to Chairmen and Deputies to aid their deliberations.

2. The revised/ clarified role and responsibilities of the Audit and Governance Committee within the council's governance framework should be reflected in its terms of reference.

**Action**

Revised terms of reference were presented by the Head of Legal and Democratic Services to the committee on 31 July 2017. These were subsequently adopted at the following meeting of Full Council.

These will be considered annually.

3. The committee's terms of reference should be reviewed and, if required, revised annually to ensure alignment with the council's governance framework and compliance with current good practice.

**Action**

New guidance on audit committees has recently been published by the Chartered Institute of Public Finance & Accountancy. The Head of Legal and Democratic Services will, in consultation with the Committee Chairman review the guidance. If applicable, a future report outlining any recommended changes to further improve the Committees effectiveness will be presented in due course.

4. A clear direction, supported by the terms of reference, should be given annually that committee members should act objectively and independently, and that substitutions should not generally be made.

**Action**

This was done by the chair of the committee supported by the monitoring officer at the same time as the terms of reference and membership were confirmed.

5. In appointing the committee's members the political groups should consider members' skills and expertise, and their wishes.

**Action**

The Democratic Services Manager wrote to the political groups ahead of the annual general meeting of Full Council.

6. Skills specifications should be developed and agreed for the committee's chairman and members.

**Action**

A knowledge and skills framework has recently been published as part of the recently updated Cipfa guidance on Audit Committees. This is attached at Annex 2. It sets out what knowledge areas are required and suggests how the Committee member is able to apply the knowledge. The framework also sets out the core skills needed by Committee members. The Committee is asked to consider and agree the draft framework set out at Annex 2.

7. Renewed consideration should be given to the training required by members and particularly the chair, and appropriate training provided.

**Action**

Once the draft knowledge and skills framework has been agreed, the Head of Legal and Democratic Services will, in conjunction with member development, ask Committee members to complete a training needs analysis to identify skills and knowledge gaps so that appropriate training and development sessions can be arranged.

8. A schedule of meetings and their agendas should be established at the start of each year and reviewed in advance of each meeting.

**Action**

A schedule of meetings and the proposed agendas will be presented to the first meeting of the municipal year for comment and consideration.

9. As members are more effectively trained to understand their role, the committee should periodically undertake a self-assessment exercise.

**Action**

Committee members have been asked to complete a self-assessment questionnaire to help review the effectiveness of the Committee. Further details are set out below.

10. The committee should prepare an annual report of its activity to facilitate assessments of its effectiveness.

**Action**

An Annual Report will be considered at its meeting in July 2018.

## ***Self-Assessment on the effectiveness of the Audit, Risk and Governance Committee***

Members who served on the Committee for the municipal year 2017/18 were asked to complete a self-assessment questionnaire (see Annex 3). The evaluation will support an assessment against recommended practice to inform and support the Committee. A summary of the responses is set out below. 6 members completed the questionnaire (75%).

Overall, members thought that the committee was effective in fulfilling its duties (although one member indicated that they thought the committee was ineffective by scoring 1 (hardly ever/poor) for every question). However, there were a few areas identified for improvement. These include:

1. Structured and appropriate annual agenda  
There needs to be a structured annual agenda of matters to be covered, with focus on the right areas

A report setting out a proposed work programme for the year will be presented to the committee at its meeting on 30<sup>th</sup> July 2018.

2. Attendance and contribution to meetings  
All committee members attend and actively contribute at meetings

Attendance (or non-attendance) at committee is a matter for the political groups. Further training may help facilitate active contributions from members of the committee.

3. On-going personal development  
Committee members have access to ongoing development activities to update their skills and knowledge.

Training events have been held for members throughout the year but they have not always been well attended. However, it is intended that a knowledge and skill framework is developed and used via a training needs assessment questionnaire to identify gaps that members need addressing. From this appropriate training and development plans be agreed either for the committee or individual members.

Other areas for improvement identified by members included:

- Directors asked to attend committee to present improvement plans were internal audit have given limited or no assurance
- Further work around assessing the impact of the committee
- Promoting risk management

- Making the work of the committee more accessible to councillors and citizens
- Greater scrutiny of the issues presented

## **Membership, Meetings & Attendance**

### ***Audit, Risk and Governance Committee***

The Audit, Risk and Governance Committee comprises eight elected members representing the two main political parties.

### ***Officers***

The Audit, Risk and Governance Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee.

In 2017/18 the Interim Chief Executive and S151 Officer, Director of Finance, Director of Corporate Services (& Monitoring Officer), Head of Legal and Democratic Services (& Deputy Monitoring Officer), Head of Internal Audit and Head of Corporate Finance routinely attended the meetings.

### ***External Audit***

The External Auditors, Grant Thornton, have attended all the Audit, Risk and Governance Committee meetings.

### ***Meetings***

The Audit, Risk and Governance Committee met five times in 2017/18.

## **Terms of reference for Lancashire County Council's Audit, Risk and Governance Committee**

### **Statement of purpose**

- 1 The Audit, Risk and Governance Committee is a key element of Lancashire County Council's corporate governance. It provides an independent and high-level focus on the risk management, audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The primary purpose of the committee is to provide independent assurance to the members (being those charged with governance) of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 3 The committee's members should therefore behave objectively and independently in their deliberations and decisions.
- 4 The committee is also required to fulfil other functions relevant to its overall responsibilities as required by the Council. In particular, the committee oversees the Council's treasury management activity.

### **Governance**

The committee will:

- 5 Review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 6 Review and recommend the code of corporate governance for adoption by the Council.
- 7 Review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the head of internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 8 Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 9 Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 10 Consider the Council's arrangements for discharging its duties in relation to promotion and maintenance of high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.

## **Risk management and control**

The committee will:

- 11 Monitor the effective development and operation of the risk management framework and processes across the Council.
- 12 Monitor progress in addressing risk-related issues reported to the committee.
- 13 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 14 Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 15 Monitor the counter-fraud strategy, actions and resources.

## **Internal audit**

The committee will:

- 16 Approve the internal audit charter.
- 17 Approve the risk-based internal audit plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 18 Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 19 Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 20 Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b. Regular reports on the results of the quality assurance and improvement programme.
  - c. Reports on instances where the Internal Audit Service does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- 21 Consider the head of internal audit's annual report:
  - a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement.
  - b. The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the

summary of the work supporting the opinion, which will assist the committee in reviewing the annual governance statement.

- 22 Consider summaries of specific internal audit reports as requested.
- 23 Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
- 24 Contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 Support the development of effective communication with the head of internal audit.
- 26 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **External audit**

The committee will:

- 27 Consider appointment of the Council's external auditor proposed by the appointing person under the Local Audit (Appointing Person) Regulations 2015 and assess whether there are any valid reasons for the Council to object.
- 28 Approve the letters of representation required by the external auditor and consider the external auditor's annual letter, audit opinion, relevant reports, and the report to those charged with governance.
- 29 Consider specific reports as agreed with the external auditor.
- 30 Comment on the scope and depth of external audit work and to ensure it gives value for money.
- 31 Commission additional work from the external auditor as necessary.

### **Financial reporting**

The committee will:

- 32 Review and approve the annual statement of accounts of the Council and the Lancashire Pension Fund. Specifically, it will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit work that need to be brought to the attention of the Council.
- 33 Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability arrangements**

The committee will:

- 34 Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements; and internal and external audit functions.
- 35 Prepare a report annually on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

### **Treasury management**

The committee will:

- 36 Oversee the Council's treasury management function, receiving regular advice and reports on treasury management activity.
- 37 Consider and recommend the treasury management strategy for Council's approval.
- 38 Consider and recommend changes to the borrowing and investment strategy for Council's approval.
- 39 Consider and recommend the prudential indicators for Council's approval.
- 40 Consider and recommend the treasury management indicators for Council's approval.



# Audit, Risk & Governance Committee members – Draft knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<p>An overview of the governance structures of the authority and decision-making processes</p> <p>Knowledge of the organisational objectives and major functions of the authority</p>	<p>This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers</p>
Audit committee role and functions	<p>An understanding of the audit committee's role and place within the governance structures.</p> <p>Familiarity with the committee's terms of reference and accountability arrangements</p> <p>Knowledge of the purpose and role of the audit committee</p>	<p>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others</p>
Governance	<p>Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS</p> <p>Knowledge of the local code of governance</p>	<p>The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework</p> <p>The committee will plan the assurances it is to receive in order to adequately support the AGS</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance</p>

## Knowledge area

## Details of core knowledge required

## How the audit committee member is able to apply the knowledge

Internal audit

An awareness of the key principles of the PSIAS and the LGAN

Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled

The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards

The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards

In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed

The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan

Financial management and accounting

Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them

Understanding of good financial management principles

Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)

Reviewing the financial statements prior to publication, asking questions

Receiving the external audit report and opinion on the financial audit

Reviewing both external and internal audit recommendations relating to financial management and controls

The audit committee should consider the role of the CFO and how this is met when reviewing the AGS

## Knowledge area

### Details of core knowledge required

### How the audit committee member is able to apply the knowledge

External audit

Knowledge of the role and functions of the external auditor and who currently undertakes this role

The audit committee should meet with the external auditor regularly and receive their reports and opinions

Knowledge of the key reports and assurances that external audit will provide

Monitoring external audit recommendations and maximising benefit from audit process

Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken

The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service

Risk management

Understanding of the principles of risk management, including linkage to good governance and decision making

In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces

Knowledge of the risk management policy and strategy of the organisation

Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee

Understanding of risk governance arrangements, including the role of members and of the audit committee

The committee should also review reports and action plans to develop the application of risk management practice

Counter fraud

An understanding of the main areas of fraud and corruption risk to which the organisation is exposed

Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy

Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)

An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Values of good governance	<p>Knowledge of the organisation's arrangements for tackling fraud</p> <p>Knowledge of the Seven Principles of Public Life</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</p> <p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>the audit committee member in reviewing that assessment</p> <p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported</p>
Treasury management	<p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management.</p> <p>The key knowledge areas identified are: regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management</p>	<p>Core knowledge on treasury management is essential for the committee undertaking the</p>

## CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side tracked by detail	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much

Questioning and constructive challenge

Able to frame questions that draw out relevant facts and explanations

Challenging performance and seeking explanations while avoiding hostility or grandstanding

time on detail

The audit committee will review reports and recommendations to address weaknesses in internal control.

The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found

Focus on improvement

Ensuring there is a clear plan of action and allocation of responsibility

The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities

Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken

Able to balance practicality against theory

Able to understand the practical implications of recommendations to understand how they might work in practice

The audit committee should seek assurances that planned actions are practical and realistic

Clear communication skills and focus on the needs of users

Support the use of plain English in communications, avoiding jargon, acronyms, etc

The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience

Objectivity

Evaluate information on the basis of evidence presented and avoiding bias or subjectivity

The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views

## Meeting management skills

Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting

These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members

## Audit, Risk and Governance Committee effectiveness

Assessment scores:

**N/A** = not applicable

**1** = hardly ever/ poor

**2** = occasionally/ inadequate

**3** = most of the time/ satisfactory

**4** = all of the time/ good

### 1 Members with appropriate skills and experience

The Committee comprises members with an appropriate mix of skills and experience, including some relevant financial experience

### 2 Clear terms of reference

There are clear, up to date terms of reference, with clarity as to the committee's role in relation to the council and other committees

### 3 Structured and appropriate annual agenda

There is a structured annual agenda of matters to be covered, with focus on the right areas

### 4 Sufficient number of meetings and access to resources

The number and length of meetings and access to resources is sufficient to allow the committee fully to discharge its duties

### 5 Concise, relevant and timely information

Committee papers are concise, relevant and permit timely resolution of the issues raised

### 6 The right people invited to attend and present at meetings

Senior officers and others are asked to present on issues as appropriate

### 7 Attendance and contribution to meetings

All Committee members attend and actively contribute at meetings

### 8 Sufficient time and commitment to undertake responsibilities

All Committee members have sufficient time and commitment to fulfil their responsibilities

### 9 On-going personal development

Committee members have access to on-going development activities to update their skills and knowledge

### 10 Understanding the council's business

All Committee members have a good understanding of the different risks inherent in the council's business activities

### 11 Focus on appropriate areas

The Committee focuses on the right questions and is effective in

N/A	1	2	3	4

N/A	1	2	3	4

avoiding minutia

**12 Understanding of how assurance is gained**

The Committee understands the interaction between the various sources of assurance available to it

**13 Quality of interaction with external auditors**

The Committee actively engages with the external auditors regarding the scope of their work and audit findings

**14 Quality of interaction with internal audit**

The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings

**15 Frank, open working relationship with senior officers**

Committee members have a frank and open relationship with senior officers, whilst avoiding the temptation to act as officers

**16 Open channels of communication**

The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues

**17 Rigour of debate**

Committee meetings encourage a high quality of debate with robust and probing discussions

**18 Reaction to bad news**

The Committee responds positively and constructively to bad news to encourage future transparency

**19 Perceived to have a positive impact**

There is an appropriate balance between the monitoring role and the Committee acting as an “influencer for good”

**20 Quality of chairmanship**

The Chair promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings

**21** How do we know that we are being effective in achieving our terms of reference and adding value to the county council's corporate governance?

**22** How do we know what impact we are having?

**23** What do we do well as a Committee?

**24** What could we do differently or better as a Committee?