

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 27th MARCH 2012

RESULTS OF THE SURVEYS ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE AND THE SKILLS OF AUDIT COMMITTEE MEMBERS

REPORT OF THE AUDIT & ASSURANCE MANAGER

1 PURPOSE

- 1.1 To provide members of the Audit Committee with the results of the surveys completed to review the effectiveness of the Audit Committee and the skills of Audit Committee members.

2 RECOMMENDATIONS

- 2.1 That members:
- a) note the results of the effectiveness survey and agree any action to be taken; and
 - b) note the results of the skills survey and agree any action to be taken.

3 SUMMARY

- 3.1 Good governance in local government has supported the introduction of Audit Committees. Surveys on the effectiveness of the activities of the Audit Committee have taken place in 2008, 2009 and 2010. No survey was undertaken in 2011 due to the impending Unitary elections and potential changes to the Audit Committee membership.
- 3.2 A new Audit Committee of seven members was agreed at Annual Council in May 2011 and members have received training throughout the year to support their roles and responsibilities but a skills audit has been undertaken to ascertain any future training needs and to agree a training plan if required.

4 PREVIOUS MINUTES

- 4.1 Standards and Audit Committee 3rd April 2008
Audit Committee 27th January 2009
Audit Committee 31st March 2009
Audit Committee 30th March 2010

5 BACKGROUND

Effectiveness of the Audit Committee Survey

- 5.1 The 2012 survey included the same questions as 2008, 2009 and 2010. Out of the 17 surveys sent out 6 were returned providing a response rate of 35% which is a reduction compared to previous years (2010 - 57% response rate and 2009 - 81% response rate in 2009). The response rate for members was 33% (50% - 2010 and 78% - 2009). For officers the response rate was 36% (80% - 2010 and 100% - 2009) but more forms were sent out to any officer who had attended a meeting. Many of these officers responded saying they did not have enough knowledge to contribute to the survey. There was no response received from the External Auditor due to his concern over a possible conflict of interest.

- 5.2 The results have been analysed and the table in Appendix A shows the questions and the average scores for 2008, 2009, 2010 and 2012. The survey scores were graded:
 1 = hardly ever/poor
 2 = occasionally/inadequate
 3 = most of the time/satisfactory
 4 = all of the time/good

Out of the 22 questions, all except 2 had an average score of 3 or more which is slightly down from 2010. Members should note that the results show that overall the Audit Committee is at least “most of the time/satisfactory” and is performing “all the time/good” in two areas.

- 5.3 As there is comparative information available, Appendix A also shows the percentage increase or decrease from 2010 to 2012. For 2012 there has been a decrease of more than 5% for 6 questions, minor decreases for 3 questions, no change for 2 questions and for the 11 other questions there were increases with 7 showing an improvement of more than 5%.
- 5.4 There was one question that continued to show a decrease when compared to 2009 and 2010 – question 14 – “*The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings*”. This was down by a further 1.3%.
- 5.5 Information is shown below for the areas that have decreased by more than 5% from 2010 to 2012. Scores for 2008 and 2009 are shown for information.

Question	Av. Score Jan 08	Av. Score Feb 09	Av. Score Feb 10	Av. Score Feb 12
3. The Committee is clear about its role in relation to governance and risk management	3.63	3.58	3.69	3.5
7. All Committee members attend and actively contribute at meetings	2.63	2.77	3.38	2.7
8. All Committee members have sufficient time and commitment to fulfil their responsibilities	2.75	2.85	3.31	2.8
11. All Committee members have a good understanding of the different risks inherent in the Authority's business activities	2.75	3.08	3.38	3.2
17. Committee meetings encourage a high quality of debate with robust and probing discussions	2.89	3.15	3.75	3.3
20. The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues.	2.89	3.15	3.75	3.3

- 5.6 For question 3 the 2012 scores are below those of 2008, 2009 and 2010 (highlighted above). For questions 7 and 8 the 2012 scores are below those of 2009 and 2010 (highlighted above). For question 3 members need to consider what action needs to be taken to address this score. For questions 7 and 8 it is suggested that if it is an issue for members then they perhaps maybe need to talk to their Group Leader.
- 5.7 For questions 11, 17 and 20 the 2012 scores are below those of 2010 but above those for 2008 and 2009. These results could reflect the new make up of the Audit Committee as

some are new members to the Audit Committee. However again members may wish to suggest any action required to address this.

Skills Audit Survey

- 5.8 The skills survey was undertaken to help assess the training needs of committee members. 50% of members returned their forms and the results are attached at Appendix B. 5 out of the 13 questions were answered as competent with the remaining 8 being assessed by one member as developing (not always the same member). However no additional training has been requested by the members who completed the survey. Members may want to identify and discuss any future training/awareness requirements at the meeting and how they maybe addressed.
- 5.9 It is suggested that members of the committee keep their training requirements under review during the next 12 months and raise any concerns with the Chairman or Audit & Assurance Manager.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All reviews should ensure that Equality of Opportunity is adhered to.
Environmental Impact	During audit work reported to the Committee any environmental issues identified are reported to the appropriate level of management.
Legal Implications	There is no legal requirement for a survey to review the effectiveness of the Audit Committee. However, the results of the survey will assist in improving the performance of the Committee and accordingly contribute towards ensuring that the Council maintains an adequate and effective system of internal audit as required by the Accounts and Audit (England) Regulations 2011.
Links with Corporate Priorities	An effective Audit Committee supports the Council's good governance arrangements and a modern effective Council. Appropriately skilled members of the Audit Committee help it to be effective.
Opportunities and Risks	Reviewing the effectiveness of the Audit Committee supports the management of risks and the operation of controls.
Financial Implications	There are no direct financial implications arising from this report as any costs arising from the actions agreed or training will be met from within existing budgets.
Ward Implications	None.

7 BACKGROUND PAPERS

Accounts and Audit (England) Regulations 2011
 CIPFA Guidance on Audit Committees 2005
 IPF a Toolkit for Local Authority Audit Committees 2006
 Previous reports to Audit Committee

Report by Jenny Marriott, Audit & Risk Manager 383101

ANALYSIS OF RESULTS SHOWING AVERAGE SCORE FOR EACH QUESTION

PROCESSES

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Change 10 - 12	%age change 10 -12
1	The Committee members have an appropriate mix of skills and experience.	3.00	3.31	3.25	3.5	+0.25	+7.7%
2	There are clear, up to date terms of reference for the audit activities of the Committee	3.67	3.92	3.38	3.8	+0.42	+12.4%
3	The Committee is clear about its role in relation to governance and risk management	3.63	3.58	3.69	3.5	-0.19	-5.1%
4	The number and length of meetings and access to resources is sufficient to allow the audit activities of the Committee to be fully discharged	3.11	3.54	3.63	3.8	+0.17	+4.7%
5	Committee papers are concise, relevant and timely.	3.5	3.62	3.38	3.7	+0.32	+9.5%
6	Committee meetings receiving relevant reports are held sufficiently far in advance of Council meetings to permit resolution of the issues raised	3.25	3.31	3.5	3.5	No change	-
7	All Committee members attend and actively contribute at meetings	2.63	2.77	3.38	2.7	-0.68	-20.1%
8	All Committee members have sufficient time and commitment to fulfil their responsibilities	2.75	2.85	3.31	2.8	-0.51	-15.4%
9	Committee members have access to on-going development activities to update their skills and knowledge	3.22	3.38	3.25	3.6	+0.35	+10.8%
10	The Committee is informed of the Anti-Fraud and Speak Up procedures in place within the Authority	3.67	3.62	3.86	4	+0.14	+3.6%

ACTIVITIES

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Change 10 to 12	%age change 10 – 12
11	All Committee members have a good understanding of the different risks inherent in the Authority's business activities	2.75	3.08	3.38	3.2	-0.18	-5.3%
12	The Committee focuses on the right questions and is effective in avoiding minutia	2.78	3.08	3.00	3.5	+0.50	+16.7%
13	The Committee actively engages with the external auditors regarding the scope of their work and audit findings	3.33	3.31	3.13	3.8	+0.67	+21.4%
14	The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings	3.33	3.77	3.75	3.7	-0.05	-1.3%
15	The Committee has a good understanding of the key financial issues and key accounting policies.	2.63	2.92	3.25	3.3	+0.05	+1.5%
16	The Committee understands the interaction between the various sources of assurance available to it	3.25	3.15	3.25	3.2	-0.05	-1.5%
17	Committee meetings encourage a high quality of debate with robust and probing discussions	2.89	3.15	3.75	3.3	-0.45	-12.0%
18	The Chair promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings	3.33	3.38	3.38	3.7	+0.32	+9.5%
19	Committee members have a frank and open relationship with senior officers.	3.44	3.62	4	4	No change	-
20	The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues	3.11	3.69	3.75	3.5	-0.25	-6.7%

21	There is an appropriate balance between the monitoring role and the Committee acting as an “influencer for good”	3.13	3.38	3.14	3.2	+0.06	+1.9%
22	The Committee is effective in achieving its terms of reference for the audit activities and adding value to the corporate governance of the Authority.	3.00	3.23	3.43	3.3	-0.13	-3.8%

Skills Audit February 2012 Results

No.	Skill	Competent	Developing	Not yet developed
1.	Do you consider that you have sufficient understanding of the Council's priorities and significant issues it faces to undertake your Audit Committee responsibilities?	2	1	
2.	Do you consider that you have sufficient understanding of the Council's structure including key relationships and major partners to undertake your Audit Committee responsibilities?	2	1	
3.	Do you consider that you have sufficient knowledge and understanding of the general legislation, rules, regulatory and compliance frameworks governing the Council so that you can undertake your Audit Committee role?	2	1	
4.	Do you have an understanding of the democratic, accountability and decision making processes of the Council?	3		
5.	Do you have sufficient understanding of the External Audit and Inspection requirements on the Council so that you can undertake your Audit Committee responsibilities?	2	1	
6.	Do you have sufficient understanding of the Council's governance arrangements including the Code of Good Governance so that you can undertake your Audit Committee responsibilities?	2	1	
7.	Do you have sufficient understanding of the Council's financial accounting and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	3		
8.	Do you have sufficient understanding of the Council's Treasury Management strategy and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	2	1	
9.	Do you have sufficient understanding of the Council's risk management strategy, methodology and reporting arrangements to undertake your Audit Committee responsibilities?	2	1	

No.	Skill	Competent	Developing	Not yet developed
10.	Do you have sufficient knowledge and understand the Council's Internal Audit arrangements and internal control assurance so that you can undertake your Audit Committee responsibilities?	3		
11.	Do you have sufficient knowledge of the Council's Anti-Fraud and Corruption Strategy and counter fraud arrangements to enable you to undertake your Audit Committee responsibilities?	3		
12.	Do you have sufficient understanding of the Council's Compliments, Complaints and Comments procedures and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	3		
13.	Do you have any recent and relevant financial experience that enables you to have effective engagement with financial accounts reporting and your responsibilities on the Audit Committee?	2	1	