

ABERDEEN CITY COUNCIL

COMMITTEE	Audit and Risk
DATE	11 th May 2015
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Audit, Risk & Scrutiny Committee – Self-evaluation
REPORT NUMBER:	CG/15/057

1. PURPOSE OF REPORT

The purpose of this report is to present the output from the 2015 self-evaluation exercise undertaken and to make recommendations designed to further improve the effectiveness of the Committee.

2. RECOMMENDATION(S)

that the Committee:–

- (a) note the output from the self-evaluation exercise;
- (b) agree to the recommended actions outlined in the report;
- (c) instruct officers to implement the agreed improvement actions and provide regular update reports to the Committee.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

Staff in democratic services, finance, customer service and performance and internal audit will support the establishment and implementation of agreed development actions.

5. BACKGROUND/MAIN ISSUES

The Committee undertook a self-evaluation during in 2014 to review the Committee's effectiveness; its compliance with commonly agreed standards; and to identify areas for improvement.

Officers and members of the Committee participated in this exercise, using CIPFA's 'A Toolkit for Local Authority Audit Committees'.

Officers completed the questions which are factual, whilst interviews were held with Members where the response required a degree of perception to be used. The self-evaluation exercise has now been repeated for 2015.

The summarised output from the exercise is attached.

Having reviewed the responses it is recommended that the Committee agree the following improvement actions:-

	Recommended Action
i.	<p><u>Clarity on Role re ALEOs and shared services</u></p> <p>During the self-evaluation process Members identified a need for the Committee to formally consider its role and relationship with scrutiny activities and forums for ALEOs; shared services (e.g. Health & Social Care; and national bodies with responsibility in the City (e.g. Police Scotland)</p> <p>Recommendation - Officers bring a report, or reports, to the Committee in early course advising on the Committee's role in scrutiny activity for those organisations identified above.</p>
ii.	<p><u>List for other committees</u></p> <p>Members felt that a formal and regular mechanism was required to advise Council committees of the scrutiny work undertaken which pertained to their areas of responsibility.</p> <p>Recommendation - Officers report to the Committee proposing a mechanism for routinely reporting scrutiny activity to other Council committees.</p>
iii.	<p><u>Annual Report</u></p> <p>Recommendation - Members agree that an Annual Report setting out the Committee's activity in 2014/15 be prepared and reported in draft to the Committee and then referred to Council.</p>
iv.	<p><u>Attendance</u></p> <p>Recommendation - Officers continue to systematically ensure all appropriate officers attend the Committee as required.</p>
v.	<p><u>Annual Governance Statement</u></p> <p>Recommendation - In line with both the self-evaluation model and feedback from Members, officers consider the reporting of the Annual Governance Statement to clarify that this</p>

	is separate from the Annual Accounts and to encourage the Committee's consideration of the Statement.
vi.	<u>Head of Internal Audit</u> Recommendation - In the light of the Council's new arrangements for Internal Audit, Members were keen to request the Head of Internal Audit to arrange a session, in advance of the June 2015 Committee, to discuss the reporting needs of the Committee.

8. BACKGROUND PAPERS

'A Toolkit for Local Authority Audit Committees' - CIPFA

9. REPORT AUTHOR DETAILS

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APPENDIX 1

Question	Self-Evaluation Method & Evidence	Response	
Establishment, Operation & Duties Role & Remit		Comments 2015	Status
1. Does the committee have written terms of reference?	Officers		✓
2. Do the terms of reference cover the core functions of a committee as identified in the CIPFA guidance?	Officers	Yes. The core functions are described as:- <ul style="list-style-type: none"> • Annual Governance Statement; • Internal Audit; • Risk Management • Assurance Frameworks and Assurance Planning • Value for Money and Best Value; • Countering Fraud and Corruption • External Audit; • Financial Reporting; • Partnership Governance. 	✓
3. Are the terms of reference approved by the council and reviewed periodically?	Officers	These are approved by Council and reviewed periodically, but not in line with an agreed timetable.	✓
4. Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Officer Input & Interviews with Committee Members	Members agreed that the Committee did have the membership, authority and resources to perform and role, but raised questions on how the Committee would be supported to undertake its remit with respect to the Council's relationship with ALEOs; with significant shared services and nationally based partners, such as	✓

		Police Scotland.	
5. Can the committee access other committees and full council as necessary?	Officer Input & Interviews with Committee Members	During discussions members agreed there was a need for items identified by the Audit, Risk & Scrutiny Committee to be routinely and systematically reported to appropriate committees.	✓
6. Does the authority's annual governance statement include a description of the committee's establishment and activities?	Officers	Yes. This was added in 2014.	✓
7. Does the committee periodically review its own effectiveness?	Officers	Yes, through this self-evaluation.	✓
8. Does the committee make a formal annual report on its work and performance during the year to full council?	Officers	No. It is recommended that an Annual Report is prepared for the year 2014/15.	X
Membership, Induction & Training			
9. Has the membership of the committee been formally agreed and a quorum set?	Officers		✓
10. Is the chair independent of the executive function?	Officers		✓
11. Has the committee chair either previous knowledge of, or received appropriate training, on financial and risk management, accounting concepts and standards, and the regulatory regime?	Interview with Convenor and Vice Convenor	Training has been given and knowledge acquired. It is acknowledged that this is, and requires to be, a continual process.	✓
12. Are new committee members provided with an appropriate induction?	Officer Input & Interviews with Committee Members	Training for members of the Committee has been significantly increased and improved in the last year.	✓
13. Have all members' skills and experiences been assessed and training given for identified gaps?	Officer Input & Interviews with Committee Members	Organisational Development advise that 1-2-1 sessions have been made available for members. Members' feedback during this self-evaluation process was that take up has been slow.	X
14. Has each member declared his or her business interests?	Officer Input & Interviews with Committee	The Council's process for declaring interests and the advice of officers is consistent.	✓

	Members		
15. Are members sufficiently independent of the other key committees of the council?	Interviews with Committee Members	Members believe that recent training has reinforced the distinct role of members of the Committee and that behaviours reflect this.	✓
Meetings			
16. Does the committee meet regularly?	Officers		✓
17. Do the terms of reference set out the frequency of meetings?	Officers	No, but an 18 month schedule is reported to Council.	X
18. Does the committee calendar meet the authority's business needs, governance needs and the financial calendar?	Officer Input & Interviews with Committee Members	Yes. Greater planning was introduced during 2014 to ensure this is systematic.	✓
19. Are members attending meetings on a regular basis and if not, is appropriate action taken?	Officers	There have been 5 meetings and 1 special meeting. 1 councillor has had 3 absences. 4 with 2 absences and 6 with one. Number of members absent from meetings over past year - 07/05/2014 – 3 (2 subs provided) 26/06/2014 – 1 (1 sub provided) 23/09/2014 – 4 (3 subs provided) 25/09/2014 – 6 (4 subs provided) 20/11/2014 – 2 (2 subs provided) 26/02/2015 – 1 (1 sub provided)	-
20. Are meetings free and open without political influences being displayed?	Interviews with Committee Members	Members reflected that there has been a reduction in adversarial behaviours and that the Committee acts more as a team.	✓

21. Does the Chief Financial Officer or deputy attend all meetings?	Officers		✓
22. Does the committee have the benefit of attendance of appropriate officers at its meetings?	Officer Input & Interviews with Committee Members	Mostly. Improvement has been evident during 2014/15, but members identified occasions when the appropriate officers had not been present.	-
Internal Control			
23. Does the committee consider the findings of the annual review of the effectiveness of the system of internal control including the review of the effectiveness of the system of internal audit?	Officers		✓
24. Does the committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Officers	Review, but approval is reserved to Council. In 2014/15 it was reported with the accounts. This is under review.	X
25. Does the committee consider how meaningful the Annual Governance Statement is?	Officer Input & Interviews with Committee Members	Members reflected that meaningful consideration had been given to the AGS, as part of the Annual Accounts, but there is some lack of clarity about these as separate documents.	-
26. Does the committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Officers	The Committee receives assurance through the statement of internal control and the individual audit reviews. However, a broad overview of the system of internal control and systematic review of each aspect of the system is pending the completion of an Assurance Map by PWC.	-
27. Has the committee considered how it integrates with other committees that may have responsibility for risk management?	Officer Input & Interviews with Committee Members	Yes. The system of risk management explores this and members have been trained on their role re risk management.	✓

28. Has the committee or the full council adopted managing the risk of fraud – actions to counter fraud and corruption?	Officers		✓
29. Does the committee ensure that actions to counter fraud and corruption are being implemented?	Officer Input & Interviews with Committee Members	There have been relatively recent audits on the arrangements for the detection and prevention of fraud and agreed recommendations are followed up. An action outstanding for officers to report annually on arrangements for the prevention and detection of fraud.	✓
30. Is the committee made aware of the role of risk management in the preparation of the annual internal audit plan?	Officers		✓
31. Does the committee review the authority's strategic risk register at least annually?	Officers		✓
32. Does the committee monitor how the authority assesses its risk?	Officer Input & Interviews with Committee Members	This is now more systematically reported through analysis of the system of risk management.	✓
33. Do the committee's terms of reference include oversight of the risk management process?	Officers		✓
Financial Reporting & Regulatory Matters			
34. Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?	Officers	The Committee's role is to "consider" the accounts. Approval is reserved for Council.	X
35. Does the committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements made • large write offs • changes in accounting treatment • the reasonableness of accounting estimates • the narrative aspects of reporting 	Officers	These are included within the annual accounts.	✓

36. Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Officers	Not specifically scheduled for that purpose, but the report to "those charged with governance" is included in the reporting schedule.	-
37. Does the committee review management's letter of representation?	Officers	This was done in 2014/15.	✓
38. Does the committee annually review the accounting policies of the authority?	Officers	Not explicitly, although these are referred to within reporting on the annual accounts and members have the opportunity to ask questions.	-
39. Does the committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Interviews with Committee Members	The Corporate Accounting Manager reports to the Committee advising of the arrangements for preparation of the accounts. In addition, training has been held for all Committee members during 2014/15.	✓
40. Does the committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Officer Input & Interviews with Committee Members	Nationally reports are now reported when published. The Information Bulletin exists for other issues. Whilst this is not actively used, members did not feel that significant issues were not being reported.	-
Internal Audit			
41. Does the committee approve annually and in detail the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Officers		✓
42. Does internal audit have an appropriate reporting line to the audit committee?	Officers		✓
43. Does the committee receive periodic reports from the internal audit service including an annual report from the head of internal audit?	Officers		✓

44. Are follow up audits by internal audit monitored by the committee and does the audit committee consider the adequacy of implementation of recommendations?	Officers	Follow up on agreed recommendations are undertaken and reported by Internal Audit.	✓
45. Does the committee hold periodic private discussions with the head of internal audit?	Officers	Yes, this was done for the first time during 2014/15.	✓
46. Is there appropriate co-operation between internal and external auditors?	Officers	Both the Head of Internal Audit and the lead auditor from External Audit reported that there was appropriate co-operation. As there are new arrangements for Internal Audit during 2014/15 this will be kept under review.	✓
47. Does the committee review the adequacy of internal audit staffing and other resources?	Officers	During 2014/15 the Committee receives performance metrics which cover aspects of the internal audit process. This will require to be reviewed for the new Internal Audit arrangements.	✓
48. Has the committee evaluated whether its internal audit service complies with the CIPFA code of practice for internal audit in local government in the UK?	Officers	The Committee has not formally considered this.	X
49. Are internal audit performance measures monitored by the audit committee?	Officers	Yes, from February 2014	✓
50. Has the audit committee considered the information it wishes to receive from internal audit?	Interviews with Committee Members	Members expressed a desire to meet in early course with the Head of Internal Audit to discuss the reporting needs of the Committee.	✓
External Audit			
51. Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)?	Officers		✓
52. Does the committee hold private periodic discussions with the external auditor?	Officers	Scheduled for June 2015.	✓

53. Does the committee review the external auditor's annual report to those charged with governance?	Officers		✓
54. Does the committee ensure that officers are monitoring action taken to implement external audit recommendations?	Officers	During 2014/15 all recommendations were included within the follow up monitoring undertaken through Internal Audit.	✓
55. Are reports on the work of external audit and other inspection agencies presented to audit committee?	Officers	This was put in place during 2014/15.	✓
56. Does the committee assess the performance of external audit?	Officers	Performance reporting was requested in February 2014, and External Audit now report regularly on the status of their agreed annual plan.	-
57. Does the committee consider and approve the external audit fee?	Officers		✓
Administration Agenda Management			
58. Does the committee have a designated secretary from committee / member services?	Officers		✓
59. Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members?	Officers		✓
60. Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Officers	Agendas are now planned 3 cycles in advance. Outstanding issues remain in the business statement until discharged.	-
61. Are inputs for any other business formally requested in advance from committee members, relevant officers, internal and external audit?	Officers	There is no "Other Business" mechanism other than raising a motion. However, an informal session is now held at the conclusion of each Committee meeting for members and officers to raise any issues which are pertinent to the business of the committee.	-
Papers			
62. Do reports to the committee communicate relevant information at	Interviews with	Members were, on the whole, content	✓

the right frequency, time and in a format that is effective?	Committee Members	but there was some discussion on the length of some reports.	
63. Does the committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?	Officers	Both internal and external audit have their own formats.	✓
Actions Arising			
64. Are minutes prepared and circulated promptly to the appropriate people?	Officers		✓
65. Is a report on matters arising made and minuted at the committee's next meeting?	Officers		✓
66. Do action points indicate who is to perform what and by when?	Officers	Whilst the minute does not always include dates, the Business Statement does.	✓