

By: Head of Audit and Risk

To: Governance and Audit Committee - 5 March 2008

Subject: **GOVERNANCE AND AUDIT COMMITTEE
ASSESSMENT AND ACTION PLAN**

Accountable Officer: The Head of Audit & Risk

Classification: Unrestricted

Summary: This report provides an overview of the benefits of self-assessment for the Governance and Audit Committee.

FOR DECISION

INTRODUCTION

1. Kent County Council is required to prepare an Annual Governance Statement (AGS) with effect from 2007/08. The requirement was introduced in the Good Governance Framework, CIPFA SOLACE 2007, which sets out six principles of corporate governance underpinned by a number of supporting principles and specific requirements.
2. The Statement on Governance (SoG) should include an evidence-based overview of how the Authority has adopted the principles of the Framework and adheres to its requirements.

PURPOSE OF A SELF-ASSESSMENT EXERCISE

3. The Framework's fifth principle, '*Developing the capacity and capability of members to be effective*', encourages those with governance responsibilities to regularly review and assess their effectiveness:

Supporting principles	The local code should reflect the requirement for local authorities to:
1) Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	1) Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively. 2) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed 3) Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.

4. Though a new requirement for local authorities, the review and assessment of Audit Committees effectiveness is widely considered best practice:
 - 1) Audit Committees of central government bodies have been encouraged to review their effectiveness since 2005 (see Corporate Governance Code, 2005 and Audit Committee Handbook, 2007 by HM Treasury).
 - 2) It is one of the recommendations of the Combined Code, 2003, that Audit Committees review and assess their effectiveness at least annually.
5. A self-assessment review of the Governance and Audit Committee's effectiveness would provide the Authority with evidence it requires for the SoG and would result in Kent County Council being one of the first local authorities to undertake Audit Committee self-assessment reviews in the UK.

APPROACH

6. I propose the following approach:
 - 1) Members each complete the self-assessment questionnaire to reflect their views of the committee's performance. Completed questionnaires are returned to Andy Tait who will consolidate the questionnaire feedback.

- 2) Internal Audit will develop a proposed action plan to address the feedback which will be presented at the subsequent committee meeting.
- 3) If appropriate, the questionnaire feedback will be shared with Members Services so that members needs highlighted in the questionnaire feedback can be addressed.

7. See Appendix A for self-assessment questionnaire

RECOMMENDATION

8. Members are asked to approve the approach suggested above.

**Janet Dawson
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Appendix A - Audit Committee Self-Assessment Questionnaire

Behaviours

- 1 = Hardly ever/Poor
- 2 = Occasionally/Below average
- 3 = Some of the time/Average
- 4 = Most of the time/Above average
- 5 = All of the time/Fully satisfactory

Scoring	1	2	3	4	5
Understanding of core activities					
All Governance and Audit Committee (G&AC) members have a good understanding of the different risks inherent in the Authority's core activities.					
Focus on appropriate areas					
The G&AC focuses on the right questions and is effective in avoiding the minutiae.					
Quality of interaction with external auditors					
The G&AC actively engages with the external auditors regarding scope of work, audit findings and other relevant matters.					
Quality of interaction with internal audit					
The G&AC demonstrates an appropriate degree of involvement in the work of internal audit and its findings.					
Understanding of key financial issues					
The G&AC has a good understanding of the key financial issues, including critical accounting policies and complex financial transactions.					
Understanding of how assurance is gained					
The G&AC understands the interaction between the various sources of assurance available to it.					
Rigour of debate					
G&AC meetings encourage a high quality of debate with robust and probing discussions.					

Reaction to bad news					
The G&AC responds positively and constructively to bad news in order to encourage future transparency.					
Frank, open working relationship with executive directors					
The G&AC members have a frank and open relationship with chief officers, whilst avoiding the temptation to become 'executive'.					
Independence					
The G&AC is independent of the Cabinet Scrutiny Committee and of Chief Officers.					

Processes

1 = Hardly ever/Poor

2 = Occasionally/Below average

3 = Some of the time/Average

4 = Most of the time/Above average

5 = All of the time/Fully satisfactory

Scoring	1	2	3	4	5
Members with appropriate skills and experience					
The G&AC comprises members with an appropriate mix of skills and experience, including recent and relevant financial experience.					
Clear terms of reference					
There are clear terms of reference, with clarity as to role vis a vis Cabinet.					
Clear understanding of role					
G&AC members clearly understand their role vis a vis the Cabinet Scrutiny Committee and Standards Committee.					
Clear as to risk management responsibilities					
The G&AC is clear as to its role in relation to risk management.					
Sufficient number of meetings and access to resources					
The number and length of meetings and access to resources is sufficient to allow the G&AC to fully discharge its duties.					
Concise, relevant and timely information					
G&AC papers are concise, relevant and timely.					
Right people invited to attend and present at meetings					
Chief officers and others are asked to present on topics, as appropriate.					
Attendance and contribution at meetings					
All G&AC members attend and actively contribute at meetings.					

Sufficient time and commitment to undertake responsibilities					
All G&AC members have sufficient time and commitment to fulfill their responsibilities.					
Ongoing personal development to remain up to date					
G&AC members undertake ongoing personal development activities to update their skills and knowledge.					
Role in relation to whistle-blowing					
The G&AC has been informed of the whistle-blowing procedures in place within the organisation and undertakes its defined role in relation to them.					