

Feedback Analysis – Audit Committee Effectiveness Session

1. Executive Summary

- 1.1 This report provides summary analysis of the comments received during the March Committee effectiveness session.
- 1.2 An open inter-active session was held with participants invited to provide responses anonymously to a number of questions. The questions were themed around:
1. Strengths, Weaknesses and Gaps in relation to skills and experience
 2. Current arrangements and whether these facilitated effective discussion and review,
 3. Materiality and Objectivity
 4. How do we add value?
- 1.3 Responses in general were very positive and gave assurance that existing arrangements provided a firm base from which to build upon and continually improve.
- Participants felt they possessed a range of strengths citing experience in local government and business, good analytical skills and a “nose for an issue”.
 - A recurring theme was evident around the role of Audit Committee in pure audit terms and the ability to focus solely on risk management, control and governance process.
 - The link between Audit and Scrutiny was identified as an issue with comments being “Process okay, Outcome wrong” and also reference to “missed opportunity to follow up on good work of Audit Committee”
 - Participants felt they were able to be objective although it sometimes was difficult to totally avoid some bias; however, generally not an issue.
 - Current arrangements facilitated a strong efficient committee process which was supported by strong chair /vice chair arrangements. Members felt they were able to contribute to discussion at all times. Reporting improvements have allowed for open discussion on key material issues however materiality could be further defined in terms of a matrix or framework.

- There was a request for Management to be in attendance where reports were limited and also, on occasion, it may be necessary for officers to leave the room to allow further discussion.
- How do we add value as a committee, promote governance and reduce audit fees? Do more internal audit work.

Actions to be taken forward:

1. **Emphasise role of Internal Audit.** Definition of Internal Auditing to be included as watermark on report covers: *Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*
2. **Scrutiny follow up:** Development of protocols for forwarding /co-ordinating Audit reports to PRS for Outcome scrutiny work
3. **Development of Materiality Matrix:** Development of indicative materiality matrix to aid understanding of finding and action plans.
4. **Management attendance at committee protocol:** Standard protocol to be implemented whereby Limited opinion rated reports require management attendance.

1.4 The above action points have been added to the 15/16 Audit Committee Development plan which is a rolling plan and is updated on an on-going basis. Appendix 1 details the 15/16 plan.

2. RECOMMENDATIONS

2.1 Members to note report and content of 15/16 Audit Committee development plan.

3 CONCLUSION

3.1 This report provides members with summary analysis arising from March effectiveness session and details action points which will be taken forward via the Audit Committee development plan.

4. IMPLICATIONS

- 4.1 Policy – None
- 4.2 Financial – None directly however resource potential resource implication of additional internal audit work potentially offset by reduced external audit fee.
- 4.3 Personnel – None
- 4.4 Equal Opportunities – None
- 4.5 Legal – None.
- 4.6 Risk – None
- 4.7 Customer Service – None.

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Appendices

Appendix 1 – Audit Committee Development Plan