

Local Members Interest
'N/A'

Audit and Standards Committee - Tuesday 22 March 2022

Review of the Effectiveness of the Audit & Standards Committee

Recommendation

I recommend that:

- a. To receive and consider the 2022 self-assessment results, following an update of the review of the effectiveness of the Audit & Standards Committee against recommended practice contained within the latest CIPFA Publication – Practical Guidance for Local Authorities and Police (2018 Edition) documentation.

Report of the Director for Corporate Services

Report

Background

1. CIPFA's Publication - Practical Guidance for Local Authorities and Police (2018 Edition) outlines its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. This publication incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) ("the position Statement") which identifies the elements of the role and functions of an effective audit committee.
2. Audit committees are a key component of an authority's governance framework and provide an independent and high-level resource to support good governance and strong public financial management.
3. 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.

4. As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where they operate effectively, audit committees can add value by supporting improvement across a range of objectives including:
 - a. promoting the principle of good governance and their application to decision making.
 - b. raising awareness of the need for sound internal control as well as contributing to the development of an effective control environment.
 - c. supporting the establishment of arrangements for the governance and the management of risk.
 - d. advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.
 - e. reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions.
 - f. supporting the development of robust arrangements for ensuring value for money; and
 - g. helping the authority to implement the values of ethical governance including effective arrangements for countering risks of fraud and corruption.
5. Previously, Members have undertaken detailed self-assessments in March 2018 and in March 2019. Further work was carried out regarding the concept of having an independent member appointed to the Committee to act as a subject expert as recommended by CIPFA. A paper was presented to Committee outlining options/ suggested job description and details of Local Authorities adopting this approach. It was agreed that this matter would be kept under review but that this was not an option the Committee wished to explore at this stage. To date there has been no further guidance published in this area regarding the use of independent appointed Members.
6. An action plan was produced which considered areas that could be strengthened to improve the overall effectiveness of the Committee. It was agreed that the results of the self-assessment exercise would be revisited by the new Committee once it had been operational for at least twelve months.

Self-Assessment of Good Practice

7. An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on the authority's business. However, as audit committees are an advisory body, it can be more difficult to identify how audit committees have made a difference.

8. CIPFA states that a good standard of performance against recommended practice together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness. To this effect, CIPFA has provided a high-level review checklist that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018 edition). This checklist has been used to undertake regular self-assessments to support the planning of the audit committee work programme and training plans.
9. **Appendix 1** sets out the latest evaluation results of the self-assessment of the Audit & Standards Committee's operation against the recommended practice contained within CIPFA's publication. Key changes are highlighted in yellow and the actions arising from this self-assessment are also included.
 - a. The introduction of an annual report on the committee's work including performance in relation to the terms of reference and its effectiveness in meeting its performance. This report has been included in the Forward Plan as a standing agenda item.
 - b. No further action to be taken regarding the recruitment of an independent member until the guidance is changed.
 - c. the need to consider the use of CIPFA's audit committee members – knowledge and skills framework to assist in the identification of training needs.

Evaluation of the Effectiveness of the Audit Committee

10. The CIPFA publication also includes an assessment tool to help audit committee members consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements. **Appendix 2** sets out the latest evaluation of the effectiveness of the audit committee and includes any actions arising.
11. The key changes made to Appendix 2 as part of this year's self-assessment exercise are highlighted in yellow for ease of reference.
12. The key point to note from the updated self-assessment exercise relates to repeating the exercise previously performed regarding obtaining assurance from the Public Sector Auditor Appointments Authority (PSAA) over the regulatory and quality compliance of the External Auditor and reporting that to Committee.
13. The self-assessment exercise against good practice will be reviewed regularly and reported to future meetings of the Audit & Standards

Committee. In addition, the highlights of the assessment will be included in the annual report of the work of the Audit & Standards Committee which is in turn reported through to Full Council.

Equalities Implications

14. There are no specific equalities implications presented by this report

Legal Implications

15. There are no specific legal implications presented by this report

Resource and Value for Money Implications

16. There are no specific Resource or Value for Money implications presented by this report

Risk Implications

17. There are no specific Risk Implications presented by this report.

Climate Change Implications

18. There are no direct climate change implications presented by this report.

List of Background Documents/Appendices:

Appendix 1 - Self-Assessment of Good Practice

Appendix 2 - Evaluation of the Effectiveness of the Audit Committee

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