

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 19 September 2023

Review of the Effectiveness of the Audit & Standards Committee – Results of the 23 May 2023 Workshop

Recommendations

I recommend that:

- a. To receive and consider the self-assessment results following the review of the effectiveness of the Audit & Standards Committee against recommended practice contained within CIPFA's Publication – Practical Guidance for Local Authorities and Police 2022 Edition.
- b. To arrange a programme of refresher training in response to the self-assessment exercise performed by Members against the CIPFA Audit Committee Members knowledge and skills framework.

Report of the Director of Finance

Report

Background

1. CIPFA's Publication - Practical Guidance for Local Authorities and Police 2022 Edition sets out 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. The guidance incorporates CIPFA's 2022 Position Statement: Audit Committees in Local Authorities and Police sets out CIPFA's view of how the Audit Committee supports overall governance within the Authority.
2. Audit committees are a key component of an authority's governance framework and provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
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 exert influence and add value by supporting improvement across a range of objectives including: -
 - Aiding the achievement of the Authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.
 - promoting the principle of good governance and their application to decision making.
 - raising the awareness of the need for sound internal control and contributing to the development of an effective control environment.
 - supporting the arrangements to govern risk and for the effective arrangements to manage risk.
 - advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.
 - reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions.
 - supporting the development of robust arrangements for ensuring value for money; and
 - helping the authority to implement the values of ethical governance including effective arrangements for countering risks of fraud and corruption.
 - Promoting measure to improve transparency, accountability and effective public reporting to the Authority's stakeholders and the local community.

Self-Assessment of Good Practice

5. 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.

6. 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. This checklist provides the basis of a self-assessment to evaluate the effectiveness and impact of current arrangements. Any areas of improvement identified can support the planning of the audit committee work programme and training plans.
7. Members of the Audit & Standards Committee attended a workshop on the 23 March 2022 to consider the key requirements of the CIPFA checklists. **Appendix A**, attached to this report, sets out the draft evaluation results of the self-assessment of the audit committee's current practice against the recommended practice contained within CIPFA's publication. The actions arising from this self-assessment are included within Appendix A.

Evaluation of the Effectiveness of the Audit Committee

8. 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.
9. **Appendix B** attached to this report sets out the draft evaluation of the effectiveness of the audit committee. The actions arising from this self-assessment are included within Appendix B.
10. The key actions highlighted related to the requirement for a detailed review of the terms of reference for the Audit & Standards Committee to be performed to ensure that they reflect the updated exemplar template included in the 2022 CIPFA guidance. These have been reviewed and are included on the agenda for approval by Members. In addition, oversight of the risk management arrangements is to be strengthened. A detailed briefing regarding the risk management process will be included on a future agenda of the Committee. The potential recruitment of an independent member was also discussed and is included on the agenda for consideration. The opportunity for the Committee to meet privately with both the Internal and External Auditors will be explored. The Committee's annual report will specifically include a section on how its work has added value to the Council.

Audit Committee Members – Knowledge & Skills Framework Self-Assessment.

11. In order to have an effective Audit Committee it is important the Members are supported in the role by receiving the appropriate level of training tailored to their individual needs. The 2022 guidance has provided a self-assessment checklist which enables Members to identify any training requirements to support them to discharge the duties identified in paragraph 4. Members have recently undertaken this exercise and the following key areas have been identified. A detailed training programme will be developed, and workshops held to deliver the requested training over the next 12 months.
- a) An overview of the Council's governance arrangements including the requirements of the Annual Governance Statement (AGS).
 - b) The elements of good governance including the Nolan Principles.
 - c) Terms of reference of the Audit & Standards Committee
 - d) Counter Fraud arrangements including the whistleblowing process.
 - e) Overview of the Internal Audit function including further details on the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application note (LGAN). Further information regarding the role of the Head of Internal Audit within Local Government will also be provided.
 - f) Greater information regarding the function of the External Auditor was requested together with the content of the key reports that they present to the Council.
 - g) Additional information and knowledge on financial management arrangements and reporting including the financial statements.
 - h) The role of the Chief Financial Officer in Local Government
 - i) Knowledge and understanding of the risk management arrangements within the Council, including the current risk maturity and any key areas of improvement.
 - j) Core skills required of an Audit Committee member.

Equalities Implications

There are no direct implications arising from this report

Legal Implications

Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its

accounting records and of its system of internal control in accordance with the proper internal audit practices”

Resource and Value for Money Implications

The net budget of the Internal Audit Section is £1,027,510.

Risk Implications

Whilst there are no direct risk implications arising from this report, the Audit & Standards Committee objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the County Councils Annual Governance Statement, providing assurance on the operation of key controls.

Climate Change Implications

There are no direct climate change implications arising from this report.

List of Background Documents/Appendices:

- CIPFA – Practical Guidance for Local Authorities and Police 2022 Edition.
- Review of the Effectiveness of the Audit & Standards Committee Presentation – March 2023
- Review of the Audit & Standards Committee Terms of Reference Report – September 2023
- Potential Appointment of Independent Members to Audit Committees Report – September 2023

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