

AUDIT COMMITTEE REPORT

REPORT TO:	Audit Committee		
DATE:	20 February 2023		
TITLE:	Audit Committee Self-Assessment		
TYPE OF REPORT:	Discussion		
PORTFOLIO(S):	All		
REPORT AUTHOR:	Faye Haywood, Internal Audit Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT:
<p>The Audit Committee carried out a self-assessment discussion on 26 September 2022 facilitated by the Internal Audit Manager. The results of the assessment are provided within this report. to allow the Committee to track progress made against agreed actions and to make any amendments based on the current position</p>
RECOMMENDATIONS:
<p>a) That Members discuss the write up of the September 2022 self-assessment discussion as reflected within the checklist at Appendix 1 to this report to ensure that this is an accurate reflection of the discussion and actions required and update as appropriate.</p> <p>b) For the Audit Committee to review the areas of partial non-conformance identified during part and agree the suggested improvement actions to ensure that best practice is demonstrated.</p>

REASONS FOR RECOMMENDATIONS:
To ensure the Councils governance arrangements are in accordance with best practice.

1 SUMMARY

The Chartered Institute of Public Finance and Accountancy (CIPFA) document on “audit committee’s practical guidance for local authorities and police” sets out the guidance on the function and the operation of audit committees. It represents CIPFA’s view of best practice and incorporate the positions statements previously issued.

The Audit Committee used the CIPFA documentation to conduct a self-assessments exercise in September 2022. The results of the assessment are attached to this report for discussion.

2 BACKGROUND

- 2.1 In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee’s and a new Audit Committee self-assessment template is now available. The discussion held with Committee members in September 2022 was based on the 2018 self-assessment template. It is therefore suggested that another assessment is undertaken on the 2022 version following the May 2023 elections.
- 2.2 The CIPFA Audit Committee guidance states “the purpose of an audit committee is to provide 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.
- 2.3 The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide and support challenge.
- 2.4 Good audit committees are characterised by; balanced, objective, independent, knowledgeable and properly trained members, a membership that is supportive of good governance principles, a strong independently minded Chair, an unbiased attitude and the ability to challenge when required.
- 2.5 It is therefore good practice to complete a regular self-assessment exercise against the checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards also call for the committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility. This is the first time the Audit Committee has undertaken a self-assessment exercise and as a result, actions have been

identified to ensure full compliance with best practice.

- 2.6 Part one of the 2018 assessment is a yes / no response and covers:
- Purpose and Governance;
 - Functions of the Committee;
 - Membership and Support; and
 - Effectiveness of the Committee.

3 CURRENT POSITION / FINDINGS

3.1 At the session facilitated by the Internal Audit Manager on 26 September 2022 the Committee members in attendance were asked to consider the answers to questions asked in part one of the assessment. Responses are provided at **Appendix 1** of this report for discussion and update where required.

3.2 The exercise has highlighted the following areas of partial or no conformance with best practice. It is suggested that the Committee considers progress against the agreed improvement recommendations.

Question 3 – When members of the committee were asked if the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s position statement. The response was highlighted as partly. Members of the Committee felt that the Terms of Reference should be reviewed by Cabinet and Full Council following Local Elections May 2023 to ensure required areas are covered.

Question 4 – Is the role and purpose of the audit committee understood and accepted across the authority? The answer given was partly. The committee feels there is a good level of understanding of their role. However, this could be further enhanced by offering training to all members. Another suggestion is to consider producing an annual report covering all work that the committee has been involved in over the course of the financial year and presenting this to Full Council.

Question 7 - Do the committee’s terms of reference explicitly address all the core area identified in CIPFA’s position statement. The answer given was partly. It was felt that all relevant points are covered with the exception of Value for Money. The External Auditors provide assurance over this through their work and due to delays in auditing the statement of accounts, an assessment and the results of such have not been presented to the Audit Committee for some time. Internal Audit does however continue to provide assurance over value for money and will do so as part of 2022/23 audit plan in the Procurement and Contract Management audit.

Question 8 – Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? Committee members answered partly as they felt a self-assessment exercise should now be carried out annually.

Question 15 - Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory? Members of the Committee answered no. The Skills and Knowledge framework will be circulated to

Audit Committee members to allow training needs to be identified.

Question 18 – Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work? Committee members answered no to this question. As per the response provided to question 4, this could be achieved by producing an annual report of the Committee and seeking feedback from members.

3.3 The second part of the exercise requires practical examples to be highlighted to display strengths and weaknesses in the following key areas:

- Promoting the principles of good governance and their application to decision making;
- Contributing to the development of an effective Audit Committee;
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
- Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, controls and assurance arrangements;
- Supporting the development of robust arrangements for ensuring value for money;
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

3.4 The Committee will carry out the second stage of the updated assessment during next year's annual exercise to score effectiveness once the above actions have been resolved.

4 CONCLUSION

4.1 In conclusion, the Audit Committee self-assessment has indicated that the Committee feels it is acting broadly in line with best practice and can demonstrate that it is adding value to the Council through its role and terms of reference. This exercise will be carried out annually and improvement actions tracked in the Audit Committee work plan to ensure completion.

Background Papers

Appendix 1 – BKLWN Self-Assessment Checklist September 2022

