

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	24 June 2024		
TITLE:	Results of Audit Committee's Self-Assessment Exercise and Action Plan		
TYPE OF REPORT:	For noting and consideration		
PORTFOLIO(S):	All		
REPORT AUTHOR:	Teresa Sharman, Head of Internal Audit		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY: This report details the results of the self-assessment exercise completed by Members at the last Audit Committee meeting and the resulting action plan.
KEY ISSUES: There are no key issues.
OPTIONS CONSIDERED: N/a
RECOMMENDATIONS: For Audit Committee to note the documented results of the self-assessment exercise and review the action plan and consider whether all improvement actions have been captured.
REASONS FOR RECOMMENDATIONS: To note the results from the exercise, and the improvement actions to complete over the coming year.

REPORT DETAIL

1. Introduction

- 1.1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit committees - practical guidance for local authorities and police 2022” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice. The guidance states the purpose of an audit committee “is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.”
- 1.2. 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.
- 1.3. Good audit committees are characterized by; objective, independent knowledgeable and properly trained members, a membership that promotes good governance principles, a strong, independently minded chair, an unbiased attitude, the ability to challenge when required.
- 1.4. It is good practice for audit committee members to review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis.
- 1.5. In addition, the Public Sector Internal Audit Standards also call for the Audit Committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
- 1.6. The guidance provides a tool, the ‘Self-assessment of good practice’ against which the Committee can self-assess under the areas of ‘purpose and governance’, ‘functions of the Audit Committee’, ‘membership and support’, and ‘effectiveness of the committee’. Scores of 0 – 5, does not comply / major improvement to fully complies / no further improvement are the available options for the questions.
- 1.7. This self-assessment was completed with Members at the last Audit Committee meeting.

2. Proposal

The report sets out the results of the self-assessment exercise and the actions for improvement arising from this.

3. Issues for the Panel to Consider

Members should consider the results and the actions for improvement.

4. Corporate Priorities

Good governance.

5. Financial Implications

None.

6. Any other Implications/Risks

None.

7. Equal Opportunity Considerations

None.

8. Environmental Considerations

None.

9. Consultation

N/a.

10. Conclusion

For Audit Committee to note the documented results of the self-assessment exercise and review the action plan and consider whether all improvement actions have been captured.

11. Background Papers

Appendix 1 – Results of the Self-Assessment Exercise

Appendix 2 - Action Plan

Results of self-assessment exercise

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
Audit committee purpose and governance						
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?				3 - Need to confirm reporting line	
3	Has the committee maintained its advisory role by not taking on any decision-making powers?				3 - Approve Financial Statements	
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?					5 – check covers what CIPFA says
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5
7	Does the governing body hold the audit committee to account for its performance at least annually?				3 - through Annual Report	

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"> Compliance with the CIPFA Position Statement 2022 				3 – need to check contents cover these points	
	<ul style="list-style-type: none"> Results of the annual evaluation, development work undertaken and planned improvements 				3 – as above	
	<ul style="list-style-type: none"> How it has fulfilled its terms of reference and the key issues escalated in the year? 				3 – as above	
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements				3	
	Risk management arrangements				3	
	Internal control arrangements, including: <ul style="list-style-type: none"> Financial management Value for money Ethics and standards 				3	

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
	<ul style="list-style-type: none"> Counter fraud and corruption 					
	Annual governance statement				3	
	Financial reporting				3	
	Assurance framework				3	
	Internal audit				3	
	External audit				3	
10	Over the last year, has adequate consideration been given to all core areas?				3 – not sure on VFM	
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?				3	
12	Has the committee met privately with the external auditors and head of internal audit in the last year?		1			
Membership and support						
13	Has the committee been established in accordance with the 2022 guidance as follows?					
	<ul style="list-style-type: none"> Separation from executive 					5

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 				3 – is over 8 and uses substitutes	
	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 			2 – has been agreed to do		
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3 – some members have relevant skills	
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?				3	
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3	
18	Is adequate secretariat and administrative support provided to the committee?					5

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?			2		
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
22	Are meetings effective with a good level of discussion and engagement from all the members?					5
23	Has the committee maintained a non-political approach to discussions throughout?					5
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?				3	
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
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26	Do audit committee recommendations have traction with those in leadership roles?					5
27	Has the committee evaluated whether and how it is adding value to the organisation?				3 – do 2 nd CIPFA SA next year	
28	Does the committee have an action plan to improve any areas of weakness?				3 – do as a result of this SA	
29	Has this assessment been undertaken collaboratively with the audit committee members?				3 - some members missing	
	Total score					142
Maximum possible score						200

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Action Plan

Action	Owner	Date for Completion	Progress
1. Reporting line for the audit committee to be ascertained and confirmed (Q2)	M Drewery / A Baker	N/A	Completed - We have a Cabinet Executive model in place and Audit Committee make recommendations to Cabinet / Full Council and provides an Annual Report to Full Council.
2. Review the decision-making powers of Audit Committee as currently approving financial statements (Q3)	M Drewery / A Baker	TBC	
3. Update the Audit Committee's terms of reference to include the purpose of the Audit Committee (Q4) and to explicitly address all the core areas identified in CIPFA's Position Statement (Q9)	A Baker / Emma Briers	Audit Committee on 5 Sep 2024 and then Cabinet / Full Council in Oct 2024	
4. For the next annual report of the Audit Committee ensure the following are included: - <ul style="list-style-type: none"> • Compliance with the CIPFA Position Statement 2022 • Results of the annual evaluation, development 	A Baker / E Briers / Cllr Ryves	Audit Committee on 5 September 2024 and then to Full Council in Oct 2024	

Action Plan

Action	Owner	Date for Completion	Progress
<p>work undertaken and planned improvements</p> <ul style="list-style-type: none"> • How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8) 			
<p>5. Ensure that Audit Committee's agenda covers all of the core areas in its terms of reference over the year. (Q10)</p>	<p>Emma Briers / M Drewery / Cllr Ryves</p>	<p>Ongoing</p>	<p>To review at each meeting</p>
<p>6. Audit Committee to meet privately with the external auditors and head of internal audit each year. (Q12)</p>	<p>M Drewery / T Sharman / J Hay</p>	<p>Internal Audit June 24 EY TBC</p>	
<p>7. Audit Committee to consider the number of members and whether the use of substitutes should continue. (Q13)</p>	<p>To be addressed as part of terms of reference review</p>		
<p>8. Audit Committee members to undertake an evaluation of their knowledge, skills and training needs every two years. (Q15)</p>	<p>T Sharman</p>	<p>To be completed over the summer months with a report to Audit Committee in November 24</p>	

Action Plan

Action	Owner	Date for Completion	Progress
9. As a result of the evaluation in 9 above, arrange training to address training needs of Audit Committee Members. (Q16)	M Drewery / T Sharman	TBC following outcome of evaluation	
10. As a result of 9 above, if training cannot address any skills or knowledge gaps to a satisfactory level, consider revising the membership of the Audit Committee to address this. (Q14 & Q17)	Audit Committee to make recommendation to Cabinet/Council for them to consider	TBC following outcome of evaluation and training	
11. Obtain feedback on Audit Committee's performance from those interacting with the committee or relying on its work. (Q20)	T Sharman	Report to Audit Committee in November 24	
12. Evaluate whether and how the Audit Committee is adding value to the Council by completing the 2 nd CIPFA assessment tool, 'evaluating effectiveness of the audit committee' (Q27)	Teresa Sharman, Head of Internal Audit to facilitate a session	Q1 2025/26	
13. Ensure all Members participate in the 2 nd CIPFA assessment tool, 'evaluating	Audit Chair	When the exercise is scheduled	A good proportion of Members were present for the first tool self-assessment in April 2024.

Action Plan

Action	Owner	Date for Completion	Progress
effectiveness of the audit committee' exercise. (Q29)			