



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 29 March 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Governance Committee – Effectiveness Self - Assessment

1. PURPOSE

1.1 This report summarizes the results of the annual assessment of compliance of the Audit & Governance Committee current arrangements against recognised best practise guidance for Audit Committees issued by CIPFA . The results of the various assessments are set out in appendices 1, and 2 to this report.

2. RECOMMENDATIONS

2.1 Committee members are requested to consider if the results of the attached assessments are appropriate evidence to confirm the Committee’s effectiveness and that it is operating in accordance with best practice and consider if any actions are required to increase the effectiveness of this Committee:

- the Audit & Governance Committee’s position when compared to the CIPFA good practice checklist (Appendix 1); and
- the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Head of Audit & Assurance on behalf of the Chair of the Committee (Appendix 2).

3. BACKGROUND

3.1 Audit committees in local authorities are necessary to satisfy the wider requirements for sound financial management, which are set out in the Local Government Act 1972 and the Accounts & Audit Regulations 2015. The Chief Financial Officer (CFO) is responsible for discharging this sound financial management requirement.

3.2 In 2018 CIPFA published its document, ‘Audit Committees: Practical Guidance for Local Authorities and Police 2018. This sets out the functions, operations, roles and responsibilities of audit committees in local authorities and represents best practice.

- 3.3 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It notes the purpose of audit committees as follows:
- Audit committees are a key component of an Authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management; and
 - 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 governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3.4 The Position Statement sets out the core functions of an audit committee along with possible wider functions that a committee can undertake. It notes that organisations should adopt a model that establishes the committee as independent and effective and advises that the Committee should:
- act as the principal non-executive, advisory function supporting those charged with governance;
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation;
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups; and
 - be directly accountable to the Authority's governing body (Full Council).
- 3.5 The Position Statement notes the role of the CFO and that officer's overarching responsibility for discharging the requirement for sound financial management. The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) emphasises the importance of having an effective audit committee to support the CFO. The CFO in a local authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Position Statement also notes that an essential role for the audit committee is to oversee Internal Audit, helping to ensure that it is adequate and effective. Both these elements are also set out in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN).
- 3.6 A key aspect of the guidance is evaluating and developing the Committee's effectiveness. The guidance states that "the committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Evidence of effectiveness will usually be characterised as influence, persuasion and support. A good standard of performance against recommended practice,

together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness.”

4. RATIONALE

4.1 An Audit Committee is a key component of a Council’s governance framework. An Audit Committee that fulfils its recommended role and function can effectively review the Council’s corporate governance framework. The recommended guidance on the role and functions of an Audit Committee is provided by CIPFA.

5. KEY ISSUES AND RISKS

5.1 CIPFA’s guidance sets out its view of Audit Committees in relation to governance, risk management and internal control. CIPFA’s Good Practice Checklist for audit committees is appended to the Guidance. The Head of Audit & Assurance has completed this on behalf of the Committee. This shows that the Council’s Audit & Governance Committee arrangements are largely compliant with the recommended guidance. The only area where full compliance cannot be provided is:

- Question 19: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.

However, the Committee’s Annual Report is presented to Full Council for consideration, along with the minutes from the previous year’s meetings. This presents an opportunity to obtain feedback on the Committee’s performance from Councillor colleagues at least annually.

5.2 The evaluation of effectiveness document (Appendix 2) has been completed by the Head of Audit & Assurance. The previous version was appended to the Audit & Governance Committee’s annual report considered by this Committee on 29 July 2021..

5.3 Across five areas the score was evaluated at 4 out of a possible 5, demonstrating: “clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area”. For the remaining four areas evaluated, the assessed score was 5, demonstrating: “clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable”.

6. POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

The Accounts and Audit (England) Regulations 2015 state that the Council must ensure that it has a sound system of internal control that:

- (i) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (ii) ensures that the financial and operational management of the authority is effective; and

- (iii) includes effective arrangements for the management of risk. The Audit & Governance Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Council's overall governance arrangements.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

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Date: 18 March 2022

Background Papers: Audit Committees: Practical Guidance for Local Authorities and Police 2018 - CIPFA