



TO: Audit & Governance Committee
FROM: Head of Audit & Assurance
DATE: 2 March 2023

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 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 is 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 is responsible for discharging this sound financial management requirement.

3.2 In 2022 CIPFA published its Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') document. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK. This sets out the functions, operations, roles and responsibilities of audit committees in local authorities and represents best practice.

- 3.3 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit. The results of the assessment of the current arrangements in place for the Audit & Governance Committee against the principles and practices set out in the new Statement are detailed in Appendix 1.
- 3.4 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. The 2022 Position Statement sets out the purpose, model, core functions and membership of an audit committee. The Statement defines the purpose of Audit Committees as follows:
- Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
 - In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.
 - The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 3.5 The Position Statement notes that the core functions of an audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. Specific responsibilities identified include:
- Maintenance of governance, risk and control arrangements.
 - Financial and governance reporting.
 - Establishing appropriate and effective arrangements for audit and assurance.
- 3.6 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 at least two independent member where not already required to do so by legislation to provide appropriate technical expertise;

- 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).
- 3.6 The Position Statement notes the role of the Chief Financial Officer 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 this role. This Officer 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).
- 3.7 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 areas where full compliance cannot be provided are:
- Question 6: The Committee membership Includes at least two co-opted independent members to provide appropriate technical expertise; and
 - Question 19: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.
- 5.2 The Constitution has recently been updated to allow the Committee to appoint two non-voting co-opted independent members to its

- membership. Arrangements to appoint these members will be progressed during 2023.
- 5.3 It is noted that 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.
- 5.4 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 28 June 2022.

- 5.5 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

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date: 21 February 2023
Background Papers: CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022