

25 September 2023

Review of the Effectiveness of the Audit Committee

Ward(s): All

Portfolios: All

Purpose: Review

1. Aim

- 1.1 To provide Audit Committee with the completed effectiveness checklist for their consideration and agreement prior to reporting the outcome in the Committee's Annual Report to Council on its activities during 2022/23.

2. Summary

- 2.1 The CIPFA Position Statement (the "Statement") on Audit Committees sets out the key principles that CIPFA recommends for Audit Committees operating in local government. This Statement is supported by further guidance. The Statement and guidance were updated in 2022. An assessment against the 'Good Practice Checklist' has been undertaken and is included in this report for the Committee's consideration and some minor improvement actions identified.

3. Recommendations

- 3.1 That Audit Committee consider the attached self-assessment (Appendix 1) against the 'Good Practice Checklist' undertaken by audit Committee members on 11 September and review the actions arising, amending if appropriate.
- 3.2 That subject to any amendments arising from 3.1 above, a summary of the outcome will be included within the Committee's Annual Report to full Council on its activities during 2022/23.

4. Report detail – know

Background

- 4.1 The CIPFA Position Statement covers:
- Purpose of an Audit Committee;
 - Establishing an independent and effective model;
 - Core functions, including;

- Maintenance of governance, risk, and control arrangements,
- Financial and governance reporting,
- Establishing appropriate and effective arrangements for audit and assurance,
- The characteristics of a good Audit Committee and membership;
- Engagement and outputs – effectively discharging its responsibilities; and,
- Impact – evaluating impact and any areas for improvement.

4.2 The Statement provides greater prominence to the Annual Report to full Council, including it for the first time in this updated version, including that the Committee should *“report annually on how the Committee has complied with the Statement, discharged its responsibilities, and include an assessment of its performance.”*

4.3 The Statement is supported by Audit Committee: Practical Guidance for Local Authorities and Police document (October 2022 edition) - The Audit Committee Member in a Local Authority is a 77-page guidance document intended to support the establishment, operation, and effectiveness of Audit Committees. It is intended for members of Audit Committees to help them to understand the purpose of the Committee, and its function and their responsibilities as members of the Committee. It covers:

- Core functions of the Committee;
- The administrative and operational arrangements of the Committee;
- Membership and effectiveness of the Committee, including training and a Knowledge and Skills Framework to support the appointment, training and development of Audit Committee members and resources to enable self-evaluation and improvement planning and inform the effectiveness review of the Committee.

4.4 The document provides further detail on each of the above and guidance on conducting the effectiveness review and contents of the Audit Committee’s Annual Report to full Council. The document is supplemented by a further 61-page document, ‘Guiding the Audit Committee’, which is aimed at those who support Audit Committees, helping them to ensure that its operations are in accordance with appropriate legislation and good practice.

4.5 The effectiveness review should cover:

- An assessment of whether the Committee is operating in accordance with the practices recommended in the Position Statement and complies with legislation (if applicable);
- How the Committee has fulfilled its terms of reference, including the core functions of the Committee;
- The operation of the Committee, including the support and training provided and how members have developed their knowledge and experience;
- The Committee’s effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements;
- Further, the Chair of the Committee should ideally coordinate the effectiveness review and involve all the Committee members. Their views on the operation of

the Committee, level of support and knowledge and skills is vital. It is also helpful to get feedback on the operation of the Committee from those who rely on its work, the leadership team, and those who interact regularly with the Committee (such as the Head of Internal Audit, Chief Finance Officer and External Auditor).

- 4.6 CIPFA advocates regular reviews of effectiveness, and the Statement recommends that the results of the Committee's evaluation of its effectiveness should be reported in the Chair's Annual Report to Council. At its meeting on 26 June, Audit Committee agreed that a self-assessment be coordinated by Officers, in consultation with the Chair of the Committee, using the CIPFA checklist, with the outcome being brought back for members' consideration to allow input of the outcomes into the Chair's Annual Report. Annual reviews would then be incorporated into the Committee's work programme for each year.
- 4.7 A copy of the Practical Guidance has been made available to all members of the Committee and the revised guidance has also been used to review the terms of reference (TOR), work programme and training plan for the Committee. The updated TOR was reported to Committee in June and approved by full Council on 10 July.
- 4.8 A workshop was held with Audit Committee members on 11 September and the CIPFA best practice checklist was completed. 4 members attended the workshop, including the independent Chair, and Vice-Chair. 1 member sent apologies and 2 others did not attend. Input was also sought and provided by a number of senior officers who regularly support the Committee in its work (namely the S151 Officer and two Heads of Finance - Strategic Finance and Assurance, Technical and Transactional), and External Audit and Internal Audit were requested to input appropriate feedback.
- 4.9 The combined outcome is attached at Appendix 2. In summary, the Committee is substantially compliant, with some minor areas of improvement as set out. Members felt that 3 of the 40 questions (and sub questions) could not be effectively scored, the reasons for which are set out in the comments within Appendix 2. The self-assessment will be further developed and utilised to support the overall effectiveness review of the audit committee within the internal control framework and reported in future Annual Governance Statements.
- 4.10 As well as the CIPFA self-assessment tool covering the core aspects of the Statement, a review of the Committee's work against its approved work programme was also undertaken. This has confirmed that the Committee has fulfilled its terms of reference, including the core functions of the Committee.

5. Financial information

- 5.1 There are no direct financial implications associated with this report. Any costs arising from training or support identified will be accommodated from existing budgets.

6. Reducing Inequalities

- 6.1 There are no equality implications directly related to this report.

7. Decide

- 7.1 Audit Committee are asked to comment on the outcome of the effectiveness review and agree on the improvement actions.

8. Respond

- 8.1 The outcome of the review will be summarised and included within in the Committee's Annual Report to Council in accordance with the guidance, once approved.

9. Review

- 9.1 The evaluation of effectiveness will be built into future work programmes, with any actions arising from the outcome of the review being reported back to the Committee to monitor progress and contained within future Annual Reports to full Council.

Background paper

Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022

CIPFA Audit Committees: Practical Guidance for Local Authorities and Police – The Audit Committee Member in a Local Authority

Guiding the Audit Committee - Supplement to Audit Committee Member in a Local Authority guidance (CIPFA)

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