

25 September 2024

Review of the Effectiveness of the Audit Committee – Action Plan Update

Ward(s): All

Portfolios: All

Purpose: Review

1. Aim

- 1.1 To provide Audit Committee with a progress update on actions agreed by the Committee at its meeting in September 2023 in relation to the Committee's assessment of its effectiveness.

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 and presented to Audit Committee in June 2023. An assessment against the 'Good Practice Checklist' was then undertaken and reported to Audit Committee in September 2023. The Committee agreed some improvement actions and this report provides the latest update on progress in relation to implementing these.

3. Recommendations

- 3.1 That Audit Committee consider the update and comment accordingly.

4. Report detail – know

Background

- 4.1 The CIPFA Position Statement and supporting guidance 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 the 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 effectiveness review covers:
- 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;
- 4.4 A workshop was held with Audit Committee members on 11 September 2023 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.
- 4.5 The outcome of this workshop and feedback is attached at Appendix 1 along with agreed actions for improvement and an update as at time of Audit Committee meeting on 25 September 2024 for each action. 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 the appendix.
- 4.6 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. The Committee continues to utilise a work programme to fulfil its terms of reference, including the core functions of the Committee.
- 4.7 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. The Annual Report was presented to Council in November 2023 by the Chair of Audit Committee. The Annual Report for 2023/24 is being presented to Audit Committee in September 2024. Annual reviews will be incorporated into the Committee’s work programme for each year. 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.
- 4.8 Item 22 in the work plan, under the effectiveness of the committee, the good practice question states “Are meetings effective with a good level of discussion

and engagement from all the members?”. Identified further action is the development and implementation of a training evaluation questionnaire. Members are asked to consider what they feel this should capture and how it can be used to plan future training priorities. For example, should the feedback form focus on a purely quantitative evaluation of the training, should it capture learning objectives, should it capture future training needs.

Control Environment

- 4.9 The CIPFA Position Statement on Audit Committee and supporting guidance provide the environment / conditions for Audit Committees to be effective in the delivery of their core functions and responsibilities.

Assurance of Controls

- 4.10 The Audit Committee’s review of effectiveness and the action plan provide assurance regarding compliance with the CIPFA Position Statement.

Strategic Risks

- 4.11 This report does not directly relate to Strategic Risks.

Annual Statements

- 4.12 The Audit Committee report annually to Full Council. This report includes an assessment of the Committee’s performance and compliance with the CIPFA Position Statement.

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 action plan and updates on progress.

8. Respond

- 8.1 Any additional actions arising from Committee feedback will be incorporated into the action plan.

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 papers –

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)

Review of the Effectiveness of the Audit Committee – 25 September 2023

Annual Report of Audit Committee to Council 2022/23 – 6 November 2023

Review of the Effectiveness of the Audit Committee – 20 February 2024

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Self-assessment of Good Practice - Action Plan

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and supporting guidance. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. 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.

Good Practice Questions		Does not comply	Partially complies and extent of improvement needed			Fully complies	Improvement Actions agreed by Audit Committee on 20 September 2023	Update as at Sept 2024
			Major improvement	Significant improvement	Moderate improvement			
<u>Audit Committee Purpose and Governance</u>								
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?					*	None.	
2	Does the audit committee report directly to the governing body (full council)?					*	None.	Annual Report on the work of the Committee reported to Council on 6 November 2023 and presented by the Chair of Audit Committee. Draft report for 2023/24 presented at AC 25.09.24 before going to council
3	Has the committee maintained its advisory role by not taking on any decision-making powers?					*	None.	
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s 2022 Position Statement?					*	None.	Updated June 2023 and reviewed annually.

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5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				*		This will be tested to ensure understanding is complete. A review of member and officer training and induction will be completed to ensure sufficient coverage of role and purpose.	<ul style="list-style-type: none"> - Officer training is being updated for managers and budget holders. - Senior Management Group received a presentation on governance in May 2024 that included outlining role of Audit Committee. - A recommendation was made to Standards Committee on 30 January 2024 for it to consider introducing Audit Training as part of the standard Member training programme. This was agreed. 	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					*	None.		
7	Does the governing body hold the audit committee to account for its performance at least annually?					*	None.	Annual Report on the work of the Committee reported to Council on 6 November 2023 and presented by the Chair of Audit Committee. Draft report for 2023/24 presented at AC 25.09.24 before going to council	
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:								
	- Compliance with the CIPFA Position Statement 2022					*	The 2023 Annual Report will satisfy this requirement.	Annual Report on the work of the Committee reported to Council on 6 November 2023 and presented by the Chair of Audit Committee. Draft report for 2023/24 presented at AC 25.09.24 before going to council	
	- Results of the annual evaluation, development work undertaken and planned improvements					*			
- How it has fulfilled its terms of reference and the key issues escalated in the year?					*				

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Functions of the Committee								
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?							The Committee's terms of reference (TOR) was reviewed alongside the revised CIPFA Position Statement and the updated TOR was approved by Council in 2023. This will continue to be reviewed annually.
	Governance arrangements					*	None.	
	Risk management arrangements					*	None.	
	Internal control arrangements, including: - Financial management - Value for money - Ethics and standards - Counter fraud and corruption					*	None.	
	Annual governance statement					*	None.	
	Financial reporting					*	None.	
	Assurance framework					*	None.	
	Internal audit					*	None.	
	External audit					*	None.	

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10	Over the last year, has adequate consideration been given to all core areas?					*	Not applicable - the work programme covered all core areas.	
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?					*	None.	
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					*	None. Meetings have been held with external audit and in previous years, with internal audit. There is provision within the agenda for a private meeting.	
Membership and Support								
13	Has the committee been established in accordance with the 2022 guidance as follows?							
	- Separation from executive					*	None.	
	- A size that is not unwieldy and avoids use of substitutes					*	None.	
	- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					*	None.	

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14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?			N/A			Not applicable - it is considered that due to democratic processes and constitutional requirements concerning balance that this is not fully realisable and is therefore not scored. Skills and knowledge is discussed and training arranged as per the approved training plan and with the agreement of committee members.	
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?			N/A			Not applicable - Formal use of the assessment within the CIPFA Guidance is not felt to be the most relevant mechanism to use and is therefore not scored. Skills and knowledge development is a priority of the Committee and is discussed and training arranged as per the approved training plan and with the agreement of committee members. Individual 121 sessions are held with members to assess and agree any further training and support needs.	
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?				*		An agreed training plan is in place. A feedback mechanism will be implemented to support continuous improvement.	Feedback form currently being designed and will be implemented from November 2024.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?			N/A			Not applicable - As per 14&15, not scored. Training is a priority as set out above.	
18	Is adequate secretariat and administrative support provided to the committee?					*	None.	

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19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					*	None.	
<u>Effectiveness of the Committee</u>								
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					*	Independent feedback has been provided from interviewees and the Corporate Peer Challenge (CPC) process. Audit contributed to the self-assessment process. The AGS review will be used to assess this in future.	2023/24 AGS prepared and reported to Audit Committee in June 2024. Final version of AGS reported to Audit Committee in September 2024.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					*	Fully Complies - positive feedback from CPC support this along with feedback from contributors to the self-assessment process.	
22	Are meetings effective with a good level of discussion and engagement from all the members?				*		Some minor improvement to ensure that discussions do not stray into scrutiny, however this is managed via the Chair and continued support and training as appropriate.	Continues to be managed by the Chair of the Committee and training and support to members. Feedback from training will be used to identify additional support and training needs.
23	Has the committee maintained a non-political approach to discussions throughout?					*	None.	
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?					*	None. Officers attend meetings to cover these areas.	

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25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					*	None. Robust evidence is in place of recommendations from Audit Committee across its areas of core responsibility.	
26	Do audit committee recommendations have tractions with those in leadership roles?					*	None. Robust evidence is in place of recommendations from audit committee across its areas of core responsibility and from tracking chart.	
27	Has the committee evaluated whether and how it is adding value to the organisation?				*		Formal evaluation has not taken place. This will be undertaken as part of the annual AGS. Positive feedback has been received from the CPC along with feedback from contributors to the self-assessment process.	The 2023/24 AGS will be prepared and reported to Audit Committee in June 2024. Final version of AGS reported to Audit Committee in September 2024.
28	Does the committee have an action plan to improve any areas of weakness?				*		The outcome of this checklist forms that plan. An engagement and participation plan was agreed by the Committee to address improvements including training, reporting to the Committee.	This forms the plan.
29	Has this assessment been undertaken collaboratively with the audit committee members?				*		A workshop approach was taken to do this, attended by 4 out of 7 members of the Committee (including the independent Chair). Senior officers contributed to the self-assessment along with audit. The draft assessment will be considered by Audit Committee members at its September 2023 meeting.	Self-assessment was considered at September 2023 meeting and incorporated into the Chairs Annual Report which was presented to Council in November 2023. The workshop format will be built on for future assessments. Audit Committee reviewed progress on the delivery of this action plan in February 2024.