

Audit Committee: Self-Assessment of Effectiveness

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

“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. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate 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	Yes
2	Does the Audit Committee report directly to the governing body - full council					5	Yes

3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?					5	The Audit Committee's Terms of Reference only make provision for the Committee to approve the statutory statement of accounts when the deadline for approval does not allow for approval by full Council.
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?					3	The essence of the ToR wording is the same but not fully reflecting specific 2022 CIPFA Guidance wording, as the Guidance was issued relatively recently. For example, the ToR does not mention that members of the Committee should not be part of the scrutiny function. Consideration for improvement - Review the ToR to align more closely with 2022 CIPFA guidance.
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?					5	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					3	It was understood by the Audit Committee Chair that this could be done, though the Committee ToR does make reference to the ability to escalate issues and concerns and the committee has not done this in recent years. Consideration for improvement - Provide training to Members of the Committee which includes advising them of this requirement.

7	Does the governing body hold the audit committee to account for its performance at least annually?					5	The Audit Committee reported to Council regularly during 2022/23.	
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:							
	• Compliance with the CIPFA position statement 2022	0					The Audit Committee Chair reports regularly to Council on the activity of the Committee. However, this has not included a reference to compliance with the CIPFA position statement. Consideration for improvement - Consider including a statement on compliance with the CIPFA position statement in reporting to Council.	
	• Results of the annual evaluation, development work undertaken and planned improvements					5		
• How has it fulfilled its terms of reference and the key issues escalated in the year?					5			

Functions of the Audit Committee								
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:							
	Governance arrangements					5	Yes	
	Risk management arrangements					5	Yes	

	Internal control arrangements, including. <ul style="list-style-type: none"> • Financial management • Value for money • Ethics and standards • Counter fraud and corruption 				3		The Audit Committee's ToR do not make explicit reference to ethics, though they do reference standards. Consideration for improvement - Consider amended wording in the ToR to include ethics
	Annual governance statement					5	Yes
	Financial reporting					5	Yes
	Assurance framework					5	Yes
	Internal Audit					5	Yes
	External Audit					5	Yes
10	Over the last year, has adequate consideration been given to all core areas?					5	Yes
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?					5	Yes

12	Has the committee met privately with the external auditors and head of internal audit in the last year?			2			<p>The Audit Committee have not met in private with the external auditors or head of internal audit (Audit Manager). The previous Chair of the Audit Committee was aware that they could arrange to meet in private if they so wished. The Chair of the Audit Committee has met with the Audit Manager outside of public meetings, with other executive officers present.</p> <p>Consideration for improvement - Provide an opportunity for the Audit Committee to meet in private with both the external auditors and the Audit Manager at least once a year.</p>
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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 			2			<p>The CIPFA position statement makes it clear that separation from the executive should include both Cabinet and Scrutiny functions. The make-up of the Audit Committee from May 2023 includes 5 Members who are included in both the Audit and the Scrutiny committees, including the Audit Chair being the Vice Chair of the Scrutiny Committee. Separation from scrutiny functions is a new requirement with the 2022 position statement</p> <p>Consideration for improvement -</p>

							Discuss with Democratic Services prior to next municipal year.
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 					5	Substitutes have not typically been used for Audit Committee and there are 11 Members, included 2 co-opted independent members.
	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation. 					5	Two independent members were appointed at the start of 2022/23.
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?			2			<p>The two co-opted members have a person specification, and qualifying criteria, and both appointments made after assessment of that criteria. The roles were publicly advertised, and competitive interviews held.</p> <p>In terms of voting members, they are selected from current serving elected members and the correct political balance is maintained.</p> <p>Only one voting Member remains on the Audit Committee from prior to the recent elections.</p> <p>The leader of the Council recommended the appointments to the Audit Committee.</p> <p>Consideration for improvement - Member development to be provided to enhance knowledge and skills.</p>

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?					5	The previous training plan was devised based upon and knowledge and skills self-assessment. A further assessment will be undertaken at the July Audit Committee and a new training will be devised based upon the results.
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5	Regular training has been given to Audit Committee Members and a new plan will be devised after the knowledge & skills self-assessments have been completed
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3		There was a satisfactory level of knowledge with the previous Audit Committee.
18	Is adequate secretariat and administrative support provided to the committee?					5	Yes
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5	The Audit Committee Chair has regular meetings with the Audit Manager, Head of Finance and the s.151 Officer. External Audit attend most Audit Committee meetings.
Effectiveness of the Committee							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?				3		The Chair of the Audit Committee reports to Council after each meeting of the Committee, therefore, the opportunity to provide feedback is available, though this has not been

							offered. Consideration for improvement - Review future Audit Committee Chair reports to Council with a view to including a recommendation to obtain detailed feedback.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5	Cllr McGarvey was an experienced and effective Audit Committee Chair, though the committee has a new Chair from May 2023 with a meeting yet to be held.
22	Are meetings effective with a good level of discussion and engagement from all the members?					5	Meetings are quorate and discussion is held around each item on the agenda with attending Officers open to questions and able to respond immediately
23	Has the committee maintained a non-political approach to discussions throughout?					5	Yes
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?			2			Audit Committee members are aware they can ask for Officers to attend Committee but have yet to request this. Risks and audit findings are discussed with the Audit Manager and Chief Officer for Finance & Trading (s.151 Officer) Consideration for improvement - Consider whether risk owners and certain audit sponsors should be invited to attend Audit Committee.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5	This has not been required as yet, but the option is available if needed.

26	Do audit committee recommendations have traction with those in leadership roles?					5	None have been made in the last two years, though the Chief Officer for Finance & Trading (s.151 Officer) regularly engages with Audit Committee Chair.
27	Has the committee evaluated whether and how it is adding value to the organisation?					5	Yes, through completion of regular reporting from the Audit Committee to Council.
28	Does the committee have an action plan to improve any areas of weakness?					5	Yes. A new plan will be devised between the July and October meetings.
29	Has this assessment been undertaken collaboratively with the audit committee members?		1				The Audit Committee has a brand new membership and as such, this assessment was not completed in collaboration with them, though it will go to the July meeting for comment. The next assessment will be conducted in collaboration with Audit Committee Members.
	Subtotal Score	0	1	8	15	145	
	Total Score (max score is 200 - 40 questions multiplied by 5)	169					