

Audit Committee Effectiveness Report

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date: 3 February 2022
Agenda Item:
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Key Decision? No
Local Ward Members Full Council



**Audit and
Member
Standards
Committee**

1. Executive Summary

1.1 This report is to undertake the annual self-assessment of Audit & Member Standards Committee effectiveness.

2. Recommendations

2.1 That the Committee considers the attached self-assessment checklist and endorses any actions to improve its effectiveness as appropriate.

3. Background

- 3.1 CIPFA have published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance was updated in 2018 and incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) (the Position Statement), which sets out CIPFA's views on the role and functions of an Audit Committee.
- 3.2 The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.3 As part of the review it has been identified that there are potential changes being considered to strengthen the role of the Audit Committee such as;
- Appointment of a suitably qualified independent member to the Audit Committee; and
 - Proposals to strengthen audit committee arrangements within councils – consideration is being given as to whether it should be a statutory requirement to have an Audit Committee. There is particular interest in making sure the Audit Committee has an effective position in the overall committee structure, the ability to be heard by full council, the duty to report significant issues, knowledge/expertise/training for members, enhanced input from independent members, and facilities for auditors to meet privately with the Audit Committee or Council. The Accounts and Audit Regulations will be amended so that auditors will present their annual audit findings to full council, accompanied by a report from the Audit Committee with responses to the findings. This would take place at the first meeting of full council after the Audit Committee has considered the findings. Consideration will also be given to how external auditors can best reflect that authorities

are required, by the Accounts and Audit Regulations, to have an effective internal audit to evaluate the effectiveness of risk management, control and governance processes.

- 3.4 **Appendix 1** provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement. Where an Audit Committee has a high degree of performance against the good practice principles, then 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.
- 3.5 In advance of the Committee, Committee members were sent a ‘knowledge and skills’ self- assessment to undertake. The results of these returns have been fed into the assessment at Appendix 1.

Alternative Options	N/A
Consultation	Audit & Member Standards Committee members were circulated a pro forma self-evaluation questionnaire and the responses received incorporated into the Appendix.
Financial Implications	None identified.
Approved by Section 151 Officer	Yes
Legal Implications	There are no specific legal implications.
Approved by Monitoring Officer	Approved
Contribution to the Delivery of the Strategic Plan	An effective Audit & Member Standards Committee supports the delivery of the Council’s strategic plan by seeking assurance that the Council’s risk management, internal control and governance arrangements are sufficient and operating effectively.
Equality, Diversity and Human Rights Implications	There are no Equality, Diversity or Human Rights issues.
Crime & Safety Issues	There are no Crime and Community Safety Issues.
Environmental Impact	None arising.
GDPR/Privacy Impact Assessment	There are no specific implications.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Committee does not have the skills and knowledge available to ensure robust challenge and scrutiny of Council performance. Audit Manager	Likelihood: Yellow Impact: Red Severity: Red	Annual review of Audit & Member Standards Committee effectiveness highlighting skills/knowledge gaps.	Likelihood – Green Impact - Yellow Severity of risk - Green (tolerable)

Background documents	Audit & Member Standards Committee routine reports, internal audit reports.
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Relevant web links	
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Appendix 1

Audit and Member Standards Committee Self-assessment of Compliance with Good Practice

Good Practice Questions	Yes	Partly	No	Comments / Actions
Audit committee purpose and governance				
1 Does the Authority have a dedicated audit committee?	Y			Nine councillors other than the Chairman and the Leader of the Council. Option to co-opt one independent person who is not a Councillor or officer of the Council or any other body having a Standards Committee for Member Standards matters (see also 12).
2 Does the audit committee report directly to Full Council?	Y			Minutes of each Audit & Member Standards Committee are presented to the next full Council meeting for endorsement. There is also a right of access to the Leadership Team. Chair's Annual Report circulated to all Councillors as reported to Council. questions 6, 8, 19, 23 and 25).
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			Comprehensive terms of reference in place which accords with CIPFA guidance.
4 Is the role and purpose of the audit committee understood and accepted across the Authority?	Y			Set out in the Constitution – role and purpose understood by Members, Leadership team and reporting officers. Audit & Member Standards Committee Training was held for all members in September 2019.
5 Does the audit committee provide support to the Authority in meeting the requirements of good governance?	Y			Through coverage of all the areas set out in the terms of reference.

6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			Via minutes submitted to Council. Chair's Annual Report circulated to all Councillors.
Functions of the committee				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
■ good governance	Y			Arrangements for monitoring the effective development and operation of corporate governance is included within the terms of reference.
■ assurance framework, including partnerships and collaboration arrangements	Y			The assurance framework forms part of the annual governance statement and annual internal audit opinion and includes consideration of all assurances sourced from external/ independent sources.
■ internal audit	Y			Detailed provision in the terms of reference for oversight of internal, external audit and financial reporting (accounts).
■ external audit	Y			
■ financial reporting	Y			
■ risk management	Y			The terms of reference includes the ability to monitor the effectiveness of the Council's risk management arrangements.
■ value for money or best value	Y			This is covered explicitly in the terms of reference and through the work completed and assurance provided by external audit. Ensuring value for money also forms an inherent part of the Internal Audit approach.
■ counter fraud and corruption	Y			The ability to monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption and whistle-blowing are included within the terms of reference.
■ supporting the ethical framework	Y			Matters concerning standards and codes of conduct form an inherent part of the Committee's remit and via its sub-committees. Internal audit also provide assurance on areas associated with the ethical framework as part of annual internal audit plans.
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		P		Core areas from the CIPFA guidance considered as part of this assessment. Chair's Annual Report circulated to all Councillors. Annual review of effectiveness adopted, last review February 2020.
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee has assumed responsibility for some of these areas, including standards and treasury management.
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A			Coverage of core areas is felt to be sufficient.
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			The Committee has maintained its oversight / advisory role during the period despite restrictions due to COVID-19 pandemic.
Membership and support				

<p>12 Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> ■ separation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). 	<p>Y Y Y Y</p>		<p>See 16.</p>
<p>13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?</p>	<p>N/A</p>		<p>See 12 above.</p>
<p>14 Does the chair of the committee have appropriate knowledge and skills?</p>	<p>Y</p>		<p>Chair has a background and experience which supports his role on the Committee.</p>
<p>15 Are arrangements in place to support the committee with briefings and training?</p>	<p>Y</p>		<p>Members were asked to complete a knowledge and skills' self- assessment prior to the Committee. Of the 4 returns received, the following was identified as potential areas to focus training:</p> <ul style="list-style-type: none"> • Fraud risks • Regulatory requirements • Governance • Treasury Management <p>Proposed Action: The Committee is asked to endorse the above areas as a training focus for the next Council year.</p>
<p>16 Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>		<p>P</p>	<p>See 15 above.</p>
<p>17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?</p>	<p>Y</p>		<p>Good relationships are in place.</p>
<p>18 Is adequate secretariat and administrative support to the committee provided?</p>	<p>Y</p>		<p>Governance and Performance provide support.</p>
<p>19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?</p>		<p>P</p>	<p>No formal feedback on performance, however, the Committee does get feedback from external audit.</p> <p>Chair's annual report circulated to all Councillors.</p>
<p>20 Are meetings effective with a good level of discussion and engagement from all the members?</p>	<p>Y</p>		<p>Meetings have a good level of discussion, challenge and engagement from members.</p>

21 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?	Y			Senior managers have attended Audit & Member Standards Committee meetings to present updates for Members and to be challenged on specific areas of interest or concern. This practice will continue as appropriate.
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y			Agreed actions and recommendations are followed up at subsequent meetings.
23 Has the committee evaluated whether and how it is adding value to the organisation?		P		As part of this self-assessment process. Chairs Annual Report to all Councillors.
24 Does the committee have an action plan to improve any areas of weakness?	Y			Proposed actions have been detailed as part of this annual self-assessment process.
25 Does the committee publish an annual report to account for its performance and explain its work?		P		Minutes of the Committee are provided to full Council. Chair's Annual Report circulated to all Councillors.

