

AUDIT COMMITTEE EFFECTIVENESS REPORT

Cabinet Member for Finance & Commissioning

Date: 17 April 2024
Agenda Item:
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Key Decision? NO
Local Ward Full Council.
Members



Lichfield
District Council

AUDIT COMMITTEE

1. Executive Summary

- 1.1 The views of the Committee are requested to enable the annual self-assessment of Audit Committee effectiveness to be finalised following the initial discussion at the Audit Committee meeting held on 21 March 2024.
- 1.2 An indicative proposed plan has been developed and the views of the Committee are sought to enable its finalisation and delivery.

2. Recommendations

- 2.1 The Committee approves the attached self-assessment questionnaire and any actions identified to improve its effectiveness as appropriate.
- 2.2 The Committee considers and approves the proposed training plan.

3. Background

- 3.1 CIPFA published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for Audit Committees. This guidance updated in 2022 and incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022)* (the Position Statement). Additional guidance has also been issued in conjunction with the Position Statement.
- 3.2 The original effectiveness questionnaire was provided to Audit Committee at its meeting held on 21 March 2024. However due to technical Information Technology issues with the document it was only possible to undertake an initial discussion and it was therefore agreed the Audit Manager revisit the questionnaire and re-score elements based on the initial views of the Committee.
- 3.3 In terms of Committee effectiveness, several themes were identified at the meeting on 21 March 2024:
 - Lack of independent members on the Committee. The recruitment of independent members to the Committee and a skills audit was previously considered by the Committee on 27 September 2023. It was approved at this meeting that to supplement the skills of the Committee, two independent members would be recruited. Progress in this area has not been in line with the original plan due to reactive priority demands on the team. However, a job description and person specification has been drawn up and circulated to Chair and Vice Chair for comment. The position advert will be published during April 2024, with interview dates during May 2024 and appointment expected in June 2024.
 - Lack of private meetings between the Committee and both External and Internal Audit. An initial meeting was scheduled for 28th November 2023, however due to changes in the Council's External Auditors this did not occur. A private meeting is scheduled prior to the Audit Committee on 17th April 2024.

- Skills and membership of the committee. One area of improvement particularly highlighted by members in the meeting on 21 March 2024 was in respect of the levels of discussion and engagement from all members at committee meetings. This was due to the very technical nature of the items included on the Work Programme. An initial 'skills gap' audit was completed following the May 2023 elections and initial training on the Role of the Internal Audit Committee was provided on 13th July 2023. Any skills gaps will be addressed by having a robust training plan in place.

3.4 The revised questionnaire following re-scoring is attached as **Appendix 1** and results in an overall updated score of **172** out of **200** (the initial score was 192). This is an overall reduction in the scores provided in 2022/23 and reflects the significant changes in the composition of the Committee.

3.5 The outline training plan has now been developed with both internal and external providers and it is intended to cover the following indicative areas:

- Role of Audit Committee;
- Effectively reviewing committee reports;
- Local Government Finance;
- Treasury Management;
- Risk Management;
- Fraud and corruption;
- Role of Internal Audit; and
- Role of External Audit.

3.6 Further areas can be added dependent upon the suggestions received from the Committee.

3.7 Continual skills gap reviews will continue to be completed on an annual basis to ensure that any training issues are addressed and the next one is scheduled for June 2024.

3.8 Following completion of the effectiveness questionnaire and adoption of the training plan this will ensure that improvement areas are supported, and appropriate actions put into place to address any skills gaps.

Alternative options	1. N/A
Consultation	1. N/A
Financial implications	1. None.
Approved by Section 151 Officer	Approved.
Legal implications	There are no specific legal implications.
Approved by Monitoring Officer	Approved.
Contribution to the delivery of the strategic plan	An effective Audit 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.
EIA logged by Equalities Officer	Yes/no* Equalities Officer confirmed not required.
Crime & safety Issues	There are no Crime and Community Safety issues.
Data assessment	None arising.
Environmental impact (including climate change and biodiversity)	None arising.
GDPR / Privacy impact assessment	There are no specific implications.

	Risk description & risk owner	Original score (RYG)	How we manage it	New 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	<ul style="list-style-type: none"> ▪ Annual review of Audit Committee effectiveness with subsequent skills audit. ▪ Development and delivery of a training plan. ▪ The recruitment of two Independent Members to the Committee. 	Likelihood: Green Impact: Yellow Severity: Green

Background documents	<p>CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022)</p> <p>Audit Committee routine reports, internal audit reports.</p> <p>Independent Member and Skills Audit – Report to Audit and Member Standards Committee 27 September 2023</p>
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Relevant web links	None.
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Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. 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 questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further 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 (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* 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														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
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?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to 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?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply				Fully complies	
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	
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?						
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26 Do audit committee recommendations have traction with those in leadership roles?						
27 Has the committee evaluated whether and how it is adding value to the organisation?						
28 Does the committee have an action plan to improve any areas of weakness?						
29 Has this assessment been undertaken collaboratively with the audit committee members?						
Subtotal score						
Total score						
Maximum possible score					200**	

** 40 questions/sub-questions multiplied by five.