

Audit and Governance Committee



Date of meeting:	09 September 2024
Title of Report:	Audit Committee Self-Assessment
Lead Member:	Councillor Sarah Allen (Chair of Audit and Governance Committee)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Ross Jago, Head of Governance Performance and Risk
Contact Email:	Ross.jago@plymouth.gov.uk
Your Reference:	N/A
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice. The guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment, and the integrity of the financial reporting and annual governance processes”.

In 2022, CIPFA updated its advice and guidance for Local Authority Audit Committees, and a new Audit Committee self-assessment template is now available. It is proposed that members of the committee undertake the self-assessment in advance of the 12 November 2024 in order to identify areas to improve effectiveness and inform the Committee’s Annual Report to council.

The Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.

Good audit committees are characterised by balanced, objective, independent, knowledgeable, and properly trained members, a membership that is supportive of good governance principles, a strong independently minded chair, an unbiased attitude, and the ability to challenge when required. It is therefore good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.

In addition, the Public Sector Internal Audit Standards also call for the audit committee to assess their remit and effectiveness, in relation to Purpose, Authority, and Responsibility, to facilitate the work of this Committee.

The guidance provides two tools against which the Committee can assess itself: the first (self-assessment of good practice) supports an assessment against recommended practice to inform and support the Committee. The second assessment tool (evaluating the effectiveness of the audit

committee) helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be effective, the Audit Committee should be able to identify evidence of its impact or influence.

Issues for Discussion

Timing of the self-assessment

We conducted a self-assessment at the end of the last municipal year. However, the response rate was affected by changes in the membership of both the committee and the council. Therefore, it is recommended that the committee undertake the self-assessment between September and November. This will allow us to identify areas for improvement for the new calendar year and provide supporting evidence for the Annual Report to the Council in March.

Conclusion

Undertaking a regular review of performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties in accordance with its Terms of Reference.

Recommendations and Reasons

That the Audit and Governance Committee undertakes CIPFA self-assessments for the 2024/25 municipal year between September and November 2024 to identify areas for improved effectiveness and support the development of the annual report to council.

Alternative options considered and rejected

None

Relevance to the Corporate Plan and/or the Plymouth Plan

Scrutiny review of issues of this nature supports the commitment to openness and transparency and the Corporate Plan value of Democracy.

Implications for the Medium Term Financial Plan and Resource Implications:

None as a result of this report.

Financial Risks

None as a result of this report.

Carbon Footprint (Environmental) Implications:

No implications as a result of this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	DJN. 24.25. 077	Leg	LS/00 0036 09/16 /LB/0 2/09/ 24	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: David Northey (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 29/08/2024											

Annex I - Self-assessment of good practice

This annex 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	Significant	Moderate	Minor	None	
Scale of improvement required						
Scoring of answers	0	1	2	3	4	
Audit committee purpose and governance						
Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?						
Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?						
Has the committee maintained its advisory role by not taking on any decision-making powers?						
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?						
Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?						
Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?						
Does the governing body hold the audit committee to account for its performance at least annually?						

<p>Does the committee publish an annual report in accordance with the 2022 guidance, including:</p> <ul style="list-style-type: none"> • compliance with the CIPFA Position Statement 2022. • 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? 					
Functions of the committee					
<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows</p>					
<ul style="list-style-type: none"> • Governance arrangements 					
<ul style="list-style-type: none"> • Risk management arrangements 					
<ul style="list-style-type: none"> • Internal control arrangements, including: <ul style="list-style-type: none"> ○ financial management ○ value for money ○ ethics and standards ○ counter fraud and corruption 					
<ul style="list-style-type: none"> • Annual governance statement 					
<ul style="list-style-type: none"> • Financial reporting 					
<ul style="list-style-type: none"> • Assurance framework 					
<ul style="list-style-type: none"> • Internal audit 					
<ul style="list-style-type: none"> • External audit 					
<p>Over the last year, has adequate consideration been given to all core areas?</p>					
<p>Over the last year, has the committee only considered agenda items that align with its</p>					

core functions or selected wider functions, as set out in the 2022 guidance?					
Has the committee met privately with the external auditors and head of internal audit in the last year?					
Membership and support					
Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> • Separation from executive 					
<ul style="list-style-type: none"> • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 					
<ul style="list-style-type: none"> • A size that is not unwieldy and avoids use of substitutes 					
Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					
Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					
Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					
Across the committee membership is there a satisfactory level of knowledge, as set out in the 2022 guidance?					
Is adequate secretariat and administrative support provided to the committee?					
Does the committee have good working relations with key people and organisations, including					

external audit, internal audit and the S. 151?					
Effectiveness of the committee					
Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					
Are meetings well chaired, ensuring key agenda items are addressed with focus on improvement?					
Are meetings effective with a good level of discussion and engagement from all the members?					
Has the committee maintained a non-political approach to discussions throughout?					
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?					
Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
Do audit committee recommendations have traction with those in leadership roles?					
Has the committee evaluated whether and how it is adding value to the organisation?					
Does the committee have an action plan to improve any areas of weakness?					
Has this assessment been undertaken collaboratively with the committee members?					

Annex 2 - Self -assessment of effectiveness				
Areas where the Audit committee can Have impact by Supporting Improvement	Examples of how the Audit committee can Demonstrate its Impact	How the committee Demonstrates its impact	Key indicators of effective Arrangements	Committee strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	To complete on result of survey in discussion with the committee.	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	To complete on result of survey in discussion with the committee.
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers. 	To complete on result of survey in discussion with the committee.	<ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	To complete on result of survey in discussion with the committee.

<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks</p>	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, e.g. • Risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing • Accountability of risk owners for major/strategic risks. 	<p>To complete on result of survey in discussion with the committee.</p>	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	<p>To complete on result of survey in discussion with the committee.</p>
<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p>	<ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, • E.g. Internal audit, risk management, external audit. 	<p>To complete on result of survey in discussion with the committee.</p>	<ul style="list-style-type: none"> • The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	<p>To complete on result of survey in discussion with the committee.</p>
<p>Supporting effective external audit, with a focus on high quality and timely audit work</p>	<ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations 	<p>To complete on result of survey in discussion with the committee.</p>	<p>The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan, and any amendments are well explained. An audit of high quality is delivered.</p>	<p>To complete on result of survey in discussion with the committee.</p>
<p>Supporting the quality of the internal audit activity, in particular underpinning its</p>	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. 	<p>To complete on result of survey in discussion with the committee.</p>	<ul style="list-style-type: none"> • Internal audit that is compliant (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with 	<p>To complete on result of survey in discussion with the committee.</p>

organisational independence.	<ul style="list-style-type: none"> Actively supporting the Quality assurance and improvement programme of internal audit. 		<p>the principles of the CIPFA statement on the role of the head of internal audit (2019).</p> <ul style="list-style-type: none"> head of internal audit (2019). 	
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> Reviewing how the governance arrangements support the achievement of sustainable outcomes. Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements. 	To complete on result of survey in discussion with the committee.	<ul style="list-style-type: none"> Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. The authority's arrangements to review and assess performance are satisfactory. 	To complete on result of survey in discussion with the committee.
Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> Ensuring that assurance on value-for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGs. Following up issues raised by external audit in their value-for money work. 	To complete on result of survey in discussion with the committee.	<ul style="list-style-type: none"> External audit's assessments of arrangements to support best value are satisfactory. 	To complete on result of survey in discussion with the committee.
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> Reviewing arrangements against the standards set out in the code of practice on managing the risk of fraud and corruption (CIPFA 2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	To complete on result of survey in discussion with the committee.	<ul style="list-style-type: none"> Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	To complete on result of survey in discussion with the committee.

<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<ul style="list-style-type: none"> • Working with key members to improve their understanding of the AGS and their contribution to it. • Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. 	<p>To complete on result of survey in discussion with the committee.</p>	<ul style="list-style-type: none"> • The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. • The authority has published its financial statements and AGS in accordance with statutory guidelines. • The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	<p>To complete on result of survey in discussion with the committee.</p>
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