



Committee name: Audit

Committee date: 19/03/2024

Report title: **Audit Committee Self-Assessment Exercise**

Portfolio: Councillor Kendrick, Cabinet member for resources

Report from: Head of Internal Audit

Wards: All Wards

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Purpose

This report outlines the results of the self-assessment review completed on 5th February 2024.

Recommendations:

It is recommended that:

That Members agree the final scores for the first tool assessment, the 'Self-assessment of good practice' attached at **Appendix 1**.

That Members consider whether the second tool assessment, 'Evaluating the effectiveness of the audit committee' attached at **Appendix 2** should also be completed and how they would like this to be done.

That Members review the action plan in **Appendix 3** and consider whether all the improvement actions for scores below 5 have been captured.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report helps to meet all above corporate priorities.

Report details

1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit committees – practical guidance for local authorities and police 2022” 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 an independent and high-level focus on the adequacy of governance, risk and control arrangements.”
2. In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee’s and a new Audit Committee self-assessment template is now available.
3. Good audit committees are characterised by; objective, independent knowledgeable and properly trained members, a membership that promotes good governance principles, a strong, independently minded chair, an unbiased attitude, the ability to challenge when required.
4. It is good practice for Audit Committee members to review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis.
5. 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.
6. The guidance provides two tools against which the Committee can assess itself. The first, ‘Self-assessment of good practice’ support an assessment against recommended practice to inform and support the Committee under the areas of ‘purpose and governance’, functions of the Audit Committee’, ‘membership and support’, and ‘effectiveness of the committee’. Scores of 0-5, does not comply / major improvement to fully complies / no further improvement are the available options for the questions.
7. A TEAMs meeting took place on 5th February 2024. Those Members in attendance were asked to discuss the questions within the ‘Self-assessment of good practice’ document and agree scores for the assessment. These scores can be found in Appendix 1. Members are asked to agree the final scores.
8. An action plan has been developed as a result of the self-assessment and is detailed in Appendix 3. Members are asked to consider whether all the improvement actions for scores below 5 have been captured.
9. Members are asked to consider whether the second tool assessment, in Appendix 2, ‘Evaluating the effectiveness of the audit committee’ should also be completed and how they would like this to be done.

Consultation

10. Not applicable for this report.

Implications

Financial and resources

11. There are no specific financial implications from this report.
12. There are no proposals in this report that would reduce or increase resources.

Legal

13. There are no specific legal implications from this report.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	Not applicable for this report
Health, social and economic impact	Not applicable for this report
Crime and disorder	Not applicable for this report
Children and adults safeguarding	Not applicable for this report
Environmental impact	Not applicable for this report

Risk management

Risk	Consequence	Controls required
There is a risk that the Audit Committee may not fulfil its role and purpose because an evaluation of itself is not undertaken, and improvements not considered.	The Audit Committee does not fulfil its duties. Poor governance.	Self-assessment exercise added to work programme, and relevant meeting agendas. Members understand importance of the exercise and the need to complete this.

Other options considered

14. Not applicable for this report.

Reasons for the decision/recommendation

15. Completion of a self-assessment provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Governance and Audit Committee, and good corporate governance is achieved.

Background papers:

Appendices:

Appendix 1 – Self-Assessment of Good Practice (containing scores)

Appendix 2 - Evaluating the effectiveness of the audit committee

Appendix 3 – Action Plan

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'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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)?					5
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					5
3	Has the committee maintained its advisory role by not taking on any decision-making powers?				3	
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	0				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5
7	Does the governing body hold the audit committee to account for its performance at least annually?					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 				3	
	<ul style="list-style-type: none"> Results of the annual evaluation, development work undertaken and planned improvements 				3	
	<ul style="list-style-type: none"> How it has fulfilled its terms of reference and the key issues escalated in the year? 				3	
Functions of the committee						

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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

9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements			2		
	Risk management arrangements			2		
	Internal control arrangements, including: <ul style="list-style-type: none"> • Financial management • Value for money • Ethics and standards • Counter fraud and corruption 			2		
	Annual governance statement				3	
	Financial reporting				3	
	Assurance framework		1			
	Internal audit				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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

	External audit				3	
10	Over the last year, has adequate consideration been given to all core areas?				3	
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?					5
12	Has the committee met privately with the external auditors and head of internal audit in the last year?		1			
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 					5
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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

	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 					5
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3	
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
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?				3	
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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
18	Is adequate secretariat and administrative support provided to the committee?					5
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5
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?		1			
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
22	Are meetings effective with a good level of discussion and engagement from all the members?					5

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	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

23	Has the committee maintained a non-political approach to discussions throughout?					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?					5
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5
26	Do audit committee recommendations have traction with those in leadership roles?					5
27	Has the committee evaluated whether and how it is adding value to the organisation?				3	
28	Does the committee have an action plan to improve any areas of weakness?					5

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
			Major improvement	Significant improvement	Moderate improvement	
Weighting of answers		0	1	2	3	5
29	Has this assessment been undertaken collaboratively with the audit committee members?				3	
	Total score					
Maximum possible score						142/200

* 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

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
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Assessment Key:

5 - Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.

4 - Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.

3 - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

2 - There is some evidence that the committee has supported improvements, but the impact of this support is limited.

1 - no evidence can be found that the audit committee has supported improvements in this area.

<p>Promoting the principles of good governance and their application to decision making</p>	<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. 	<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 	
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‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
		for all collaborations and arm’s-length arrangements. <ul style="list-style-type: none"> The head of internal audit’s annual opinion on governance is satisfactory (or similar wording). 	
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 	<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 such as CIPFA’s FM Code 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 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<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, eg risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/ strategic risks 	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review 	
<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, eg internal audit, risk 	<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 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p>Supporting effective external audit, with a focus on high quality and timely audit work.</p>	<p>management, external audit</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 	<ul style="list-style-type: none"> • 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>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</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. • Actively supporting the quality assurance and improvement programme of internal audit 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (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 the principles of the CIPFA <u>Statement on the Role of the Head of</u> 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p>Aiding the achievement of the authority’s goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements</p>	<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 	<p><u>Internal Audit</u> (2019).</p> <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 	
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<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 	<ul style="list-style-type: none"> • External audit’s assessments of arrangements to support best value are satisfactory 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
	external audit in their value-for-money work.		
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<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 	<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). 	
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to</p>	<ul style="list-style-type: none"> • Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. • Improving how the authority 	<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 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
improve transparency and accountability	<p>discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</p> <ul style="list-style-type: none"> • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. • Publishing an annual report from the committee 	<p>completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</p> <ul style="list-style-type: none"> • 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 	

Action Plan

Action	Owner	Date for completion	Progress
1. Review the decision-making powers of Audit Committee with Cabinet with a view to the Audit Committee recommending the AGS and Financial Statements to Full Council for approval. (Q3)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	
2. Update the Audit Committee's terms of reference to include the purpose of the Audit Committee. (Q4)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 24	
3. For the next annual report of the Audit Committee ensure the following are included: - <ul style="list-style-type: none"> • Compliance with the CIPFA Position Statement 2022 • Results of the annual evaluation, development work undertaken and planned improvements 	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	

Action Plan

Action	Owner	Date for completion	Progress
<ul style="list-style-type: none"> How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8) 			
4. Update the Audit Committee's terms of reference to explicitly address all the core areas identified in CIPFA's Position Statement. (Q9)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer Jackie Rodgers	July 2024	
5. Ensure that Audit Committee's agenda covers all of the core areas in its terms of reference over the year. (Q10)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer Section 151 Officer Chair and members of the Committee	2024/25	
6. Audit Committee to meet privately with the external auditors and head of internal audit each year. (Q12)	Audit Chair and audit Committee members	During 2024/25	Proposed that this will take place
7. Audit Committee to consider whether the use of substitutes should continue. (Q13)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	

Action Plan

Action	Owner	Date for completion	Progress
8. Audit Committee members to undertake an evaluation of their knowledge, skills and training needs every two years. (Q15)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	To do in 2024/25	
9. As a result of the evaluation in 7 above, arrange training to address training needs of Audit Committee Members. (Q16)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer		
10. As a result of 7 above, if training cannot address any skills or knowledge gaps to a satisfactory level, consider revising the membership of the Audit Committee to address this. (Q14 & Q17)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer in consultation with the Chair and Group Leaders	2024/25 – if necessary	
11. Obtain feedback on Audit Committee's performance from those interacting with the committee or relying on its work. (Q20)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	By end of Oct 24.	

Action Plan

Action	Owner	Date for completion	Progress
12. Evaluate whether and how the Audit Committee is adding value to the Council by completing the 2 nd CIPFA assessment tool, 'evaluating effectiveness of the audit committee' (Q27)	Teresa Sharman, Head of Internal Audit to facilitate a session	By end of Oct 24	
13. Review results of Self-Assessment of Good Practice exercise at a committee meeting. (Q29)	Is on the agenda	March 24	
14. Ensure all Members participate in the 2 nd CIPFA assessment tool, 'evaluating effectiveness of the audit committee' exercise. (Q29)	Audit Chair	When the exercise is scheduled	