



Committee Name: Audit

Committee Date: 18/01/2022

Report Title: Audit Committee Self-Assessment

Portfolio:	Cllr Paul Kendrick, cabinet member for resources
Report from:	Internal Audit Manager – Norwich City Council
Wards:	‘All Wards’
OPEN PUBLIC ITEM	

Purpose

The Audit Committee carried out a self-assessment exercise on 1 November 2021 facilitated by the Internal Audit Manager. The results of the assessment are provided within this report to allow the Committee to track progress made against agreed actions and to make any amendments based on the current position.

Recommendation:

That members discuss the November 2021 self-assessment checklist at Appendix 1 to this report to ensure that this is an accurate reflection of the discussion and actions required and update as appropriate.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report helps to meet all above corporate priorities.

Report Details

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) document on “audit committee’s practical guidance for local authorities and police” sets out the guidance on the function and the operation of audit committees. It represents CIPFA’s view of best practice and incorporate the positions statements previously issued.
2. The Audit Committee used the CIPFA documentation to conduct out a self-assessments exercise in November 2021. The results of the assessment are attached to this report for discussion.

Background

3. The CIPFA Audit Committee 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”.
4. The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide and support challenge.
5. 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.
6. It is therefore good practice to complete a regular self-assessment exercise against the checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards also call for the committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility. This is the first time the Audit Committee has undertaken a self-assessment exercise and as a result, actions have been identified to ensure full compliance with best practice.
7. Part one of the assessment is a yes / no response and covers:
 - Purpose and Governance;
 - Functions of the Committee;
 - Membership and Support; and
 - Effectiveness of the Committee.

Current Position/Findings

8. At the session facilitated by the Internal Audit Manager on 1 November 2021 the Committee members in attendance were asked to consider the answers to questions asked in part one of the assessment. Responses are provided at **Appendix 1** of this report for discussion and update where required.

9. The exercise has highlighted the following areas of partial or no conformance with best practice. It is suggested that the Committee considers progress against the agreed improvement recommendations.
- Question 4 –Is the role and purpose of the audit committee understood and accepted across the authority?
The Committee answered partly. It is recommended that Training to be considered for members to raise awareness of the role of the Audit Committee. Training to be provided for any independent committee members appointed.
Target Date: To be agreed by the audit committee
 - Question 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?
The Committee answered partly. Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.
Target Date: To be agreed by the audit committee
 - Question 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?
The Committee answered partly. The Committee requests that CLT and the Constitutional Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.
Target Date: To be agreed by the audit committee
 - Question 12 - Has an effective audit committee structure and composition of the board been selected?
The Committee answered partly as it considers that independence could be strengthened by appointing an independent member.
Target Date: To be agreed by the audit committee
 - Question 15 – Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?
The Committee answered no. The membership of the committee has not been assessed against the core knowledge and skills framework. This has been circulated by the Audit Manager requesting that any training/knowledge requirements are identified by members.
Target Date: To be agreed by the audit committee
 - Question 18 - Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?

The Committee answered partly. Feedback would be received by the Committee as part of the presentation of the annual report. However, the Committee suggests that a survey of staff and other members interacting with the Committee is undertaken to provide feedback.

Target Date: To be agreed by the audit committee

- Question 19 - Has the committee evaluated whether and how it is adding value to the organisation?

The Committee answered partly. Part two of the self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area to demonstrate where value is added.

Target Date: To be agreed by the audit committee

- Question 20 - Does the committee have an action plan to improve any areas of weakness?

The Committee answered partly. It is recommended that the actions arising from this assessment are monitored to completion by the Committee.

Target Date: To be agreed by the audit committee

10. The second part of the exercise requires practical examples to be highlighted to display strengths and weaknesses in the following key areas:

- Promoting the principles of good governance and their application to decision making;
- Contributing to the development of an effective Audit Committee;
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
- Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, controls and assurance arrangements;
- Supporting the development of robust arrangements for ensuring value for money;
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

11. The Committee will carry out the second stage of the assessment during next year's annual exercise to score effectiveness once the above actions have been resolved.

Conclusion

12. In conclusion, the Audit Committee self-assessment has indicated that the Committee feels it is acting broadly in line with best practice and can demonstrate that it is adding value to the Council through its role and terms of reference. This exercise will be carried out annually and improvement actions tracked in the Audit Committee work plan to ensure completion.

Consultation

Not applicable for this report.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

Legal

None applicable for this report.

Risk Management

Risk	Consequence	Controls Required
That the Audit Committee does not continue to comply with relevant and up to date guidance and that its Terms of Reference are inappropriate for it to fulfil its role.	Ineffective audit committee function unable to provide and support challenge over the council's operations.	Completion of the self-assessment and identified actions to ensuring best practice and sound terms of reference.

Other Options Considered

Not applicable for this report.

Reasons for the decision/recommendation

It is good practice to complete a regular self-assessment exercise against the checklist, to be satisfied that the committee is performing effectively.

Background papers: None

**Appendices: Appendix 1 Audit Committee Self-Assessment
Questionnaire**

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APPENDIX 1

Part 1 Self-assessment of good practice

This evaluation supports an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
Audit Committee purpose and governance				
1	Does the authority have a dedicated audit committee?	✓		
2	Does the audit committee report directly to full council?	✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	✓		
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		
6	Are the arrangements to hold the committee to accounts for its performance operating satisfactorily?	✓		
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> - Good governance - Assurance framework - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption 	✓		

	Good Practice Questions	Yes	Partly	No
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?		✓	
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?		✓	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Not applicable		
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?			
Membership and support				
12	Has an effective audit committee structure and composition of the board been selected? This should include: <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 - Where independent members are used, that they have been appointed using appropriate process 		✓	
13	Does the chair of the committee have appropriate knowledge and skills?	✓		
14	Are arrangements in place to support the committee with briefings and training?	✓		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	✓		
17	Is adequate secretariat and administrative support to the committee provided?	✓		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓	
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓	
20	Does the committee have an action plan to improve any areas of weakness?		✓	

Actions arising

Question	Assessment	Action	Proposed Target Date
4	Partly	Training to be considered for members to raise awareness of the role of the Audit Committee. Training to be provided for any independent committee members appointed.	TBC
8	Partly	Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.	TBC
9	Partly	Treasury management is included within the list of wider areas of involvement for Audit Committees. The Committee requests that CLT and the Constitutional Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.	TBC
12	Partly	To enhance knowledge skills and independence of the Committee, an independent member will be appointed using the appropriate process.	TBC
15	No	The membership of the committee has not been assessed against the core knowledge and skills framework. This has been circulated by the Audit Manager requesting that any training/knowledge requirements are identified by members.	TBC
18	Partly	Feedback would be received by the Committee as part of the presentation of the annual report. However, the Committee suggests that a survey of staff and other members interacting with the Committee is undertaken to provide feedback.	TBC
19	Partly	As part of the self-assessment exercise the Committee has evaluated how it is adding value. Part two of the self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area.	TBC
20	Partly	It is recommended that the actions arising from this assessment are monitored to completion by the Committee.	TBC

Part 2 Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

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.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making		
Contributing to the development of an effective control environment		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks		

Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence		
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements		
Supporting the development of robust arrangements for ensuring value for money		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks		