

# Audit Committee

4<sup>th</sup> March 2024



**Report of:** Chief Internal Auditor

**Title:** Review of Audit Committees Effectiveness 2023/24 - DRAFT

**Ward:** N/A

**Officer Presenting Report:** Simba Muzarurwi, Chief Internal Auditor

## Recommendations

The Committee consider and approve the Audit Committee Self-Assessment Report for 2023/24 and agree next steps.

## Summary

The report provides a summary of key matters arising from the recent annual review of the effectiveness of the Audit Committee in 2023/24. This review is informed by a self-assessment exercise undertaken by the Committee on 29 January 2024. This report serves as a handover memorandum to the new Committee that will be established following the local government elections in May 2024.

## The significant issues in the report are:

- This report reiterates the important role of the Audit Committee in supporting the delivery of the Council's strategic priorities by seeking assurance that the Council's risk management, internal control and governance arrangements are sufficient and operating effectively.
- There is a general view from the Committee that it is discharging its mandate consistent with the Chartered Institute of Public Finance and Accountancy (CIPFA) publication: Audit Committees, Practical Guidance for Local Authorities and Police (2022 edition).
- This report identifies areas requiring further development to enhance the effectiveness of the Committee and its wider influence in the governance of the council.

## Policy

1. Audit Committee Terms of Reference.

## Consultation

2. **Internal**  
Audit Committee Members
3. **External**  
None

## Context

### Audit Committee Effectiveness:

4. The CIPFA Position Statement on Audit Committees in Local Authorities and Police provides the recommended practice for audit committees in local government bodies in the UK. The Statement identifies the Audit Committees as a key component of the council's governance framework and its purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. The Committee is responsible for ensuring that there is sufficient assurance over these arrangements which gives greater confidence to all those charged with governance that those arrangements are effective. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
5. The CIPFA publication, Audit Committees: Practical Guidance for Local Authorities and Police (2022 edition) at Appendix A provides detailed guidance on the operations of the Committee.
6. CIPFA expects all local government bodies to make best efforts to adopt the principles, aiming for effective Audit Committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting, and internal audit.
7. The Audit Committee should be established so that it is independent of executive decision making and able to provide objective oversight. It should be an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance. The Audit Committee should:
  - be directly accountable to Full Council;
  - be independent of both the executive and the scrutiny functions;
  - have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups;

- have rights to request reports and seek assurances from relevant officers; and
  - be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.
8. The CIPFA Guidance recommends an annual review of the effectiveness of the Committee which is informed by either a self-assessment or an independent review. Consistent with the now established annual process, the Committee conducted a self-assessment of its effectiveness based on the CIPFA Guidance.
9. This paper provides the summary of the matters Committee members have reflected upon regarding the activities and performance of the committee in the current year. Most importantly, it serves as a handover memorandum for the new committee following the May 2024 local government elections. The issues discussed and agreed upon during the workshop on 29 January are summarised in the following sections.

**Examples of areas of Good Practice:**

10. In practice the Committee is working effectively, and independence is governed by the behaviour of the Committee. The tone and questions of the meeting are generally positive.
11. The Committee regularly receives and considers external audit, internal audit and fraud reports seeking additional assurance from the relevant senior managers.
12. Regular review of the Corporate Risk Register and the Committee has the opportunity of undertaking deep dives to enhance their understanding of particular risks and how they are managed.
13. The Committee receives and approves the Chief internal Auditor's Opinion Report annually.
14. The Committee regularly receives summaries of audits that have 'limited' or 'no' assurance opinions and receives additional assurance from relevant Directors on the actions being taken to address the key risks identified.

**Examples of areas for further development:**

15. The following were identified as requiring further development and it is recommended that these are considered by the new Committee when setting its Agenda for the coming years:
- Working with other key partners and ensuring that there is sufficient assurance over the governance of joint ventures.
  - The Committee is concerned about the lack of a discrete scrutiny function in the new committee system so would need to obtain independent assurance on the effectiveness and operations of the new governance model.
  - Exploring ways of helping the Committee to understand emerging issues and develop an awareness of best practices. One such way is introducing two informal away days per

year to enable the Committee to interact with subject matter experts in key risk, internal control, and governance matters.

- Considering increasing the number of independent Members of the Audit Committee
- Considering that a new committee system will come into effect following the May elections, the Committee will need to ensure that it remains independent from operational decision making.
- The Committee felt that the role and the importance of the Committee is not fully understood by all Members so highlighting the role of the Audit Committee, its importance and contribution during the induction of new Members may be helpful. In addition, the Committee should be described as a standalone Committee rather than as part of 'Other Committees'.
- Effective audit committees are a critical part of delivering trust and confidence in reporting and risk management so the Committee should explore ways of enhancing the Committee's assurance that risk mitigations relating to the Corporate Risk Register are appropriate and operating effectively.
- Supporting the development of robust arrangements for ensuring value for money.
- The next external assessment of the Internal Audit Service against the Public Sector Internal Audit Standards should be undertaken by an independent external assessor not under the current peer review arrangements.

#### **Next Steps:**

- 16.** An effective Audit Committee is an imperative for effective governance. As a result, the continuity of the Committee is important so the council should appoint Councillors who want to be on the Committee for their whole term. In considering appointments to the Committee, it should be made clear to Councillors, the time commitment and effort it takes to be on the Audit committee.
- 17.** A thorough induction for new members of the Committee will be essential. The Chair and Vice Chair have indicated a willingness to be involved in this.
- 18.** This report should be considered by the next Committee as part of a formal handover. The Chair has also compiled a list of notes and comments to form the basis of an informal handover to the next Chair.
- 19.** As always, the Committee would like to extend its continued thanks and appreciation to all the officers who have contributed reports and responded to questions from committee members. Audit Committee obviously has a vital role to play, and this is greatly enhanced by a high standard of input from all those who contribute.

## Proposal

20. The Committee to review this draft report to ensure it reflects the issues discussed during the review of its effectiveness.
21. The Committee to agree next steps.

## Other Options Considered

22. None

## Risk Assessment

23. The assurances provided by an effective Audit Committee to Full Council are a key part of the Council's governance framework. This report highlights potential areas where assurances require further monitoring by Audit Committee and improvement actions that will enhance the effectiveness of the Audit Committee.

## Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
  - i) Eliminate discrimination, harassment, victimisation, and any other conduct prohibited under the Equality Act 2010.
  - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
    - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
    - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
    - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
  - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
    - tackle prejudice; and
    - promote understanding.

8b) No equality impact anticipated from this report

### **Legal and Resource Implications**

#### **Legal**

N/A

#### **Financial**

**(a) Revenue – N/A**

**(b) Capital – N/A**

**Land/Property N/A**

**Human Resources N/A**

### **Appendices:**

**Appendix A** – Chartered Institute of Public Finance and Accountancy publication: Audit Committees, Practical Guidance for Local Authorities and Police (2022 edition).

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

#### **Background Papers:**

Audit Committee Papers.