

Report sponsor: Chair of Audit and Governance Committee
Report author: Head of Internal Audit

Audit and Governance Committee – Self-Assessment of Effectiveness 2022/23

Purpose

- 1.1 A well-functioning Audit Committee is regarded as key to helping its organisation to achieve good corporate governance.
- 1.2 The Audit and Governance Committee should regularly assess its own performance – and the adequacy of its terms of reference, work plans, forums of discussion and communication – with a view to highlighting skills and/or knowledge gaps and identifying areas in which the committee and its processes might be more effective.

Recommendations

- 2.1 Members to each complete the self-assessment questionnaire. (Appendix 1)

Reasons

- 3.1 The Committee is a key element of the Council's governance framework and it needs to demonstrate a high level of effectiveness in how it carries out its core business.
- 3.2 A regular self-assessment can be used to support the planning of the Audit and Governance Committee work programme and training plans. It must also inform the annual report of the Committee.

Supporting information

- 4.1 In 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its latest edition of "Audit committees: practical guidance for local authorities and police".

- 4.2 CIPFA provides an overview of the role of the Audit Committee and its member in the following paragraph extracted from the guidance
- “As a member of your authority’s audit committee, you play an important role in the good governance of the authority. The audit committee contributes to its overall success by examining how its arrangements for decision making, consideration of risk and operations work. The committee has a unique view – one that is non-political. Instead of focusing on policy and decision making, it examines the ‘engine’ of the authority – how things get done. Most importantly, it shines a light on areas where things might be missed or need to adapt or improve.”*
- 4.3 The guidance document states that
- “An audit committee’s effectiveness should be judged by the contribution it makes to and beneficial impact it has on the authority’s business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as ‘influence’, ‘persuasion’ and ‘support’. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness. The CIPFA Position Statement recommends the committee’s annual report should include the results of a performance assessment”.*
- 4.4 The guidance outlines the following key areas that should be considered when assessing the effectiveness of an audit committee:
- An assessment of whether the committee is operating in accordance with the practices
 - recommended in this guidance and complies with legislation (where appropriate).
 - How the committee has fulfilled its terms of reference, including the core functions of the committee.
 - The operation of the committee, including the support and training provided and how members have developed their knowledge and experience.
 - The committee’s effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
 - Feedback from those interacting with the committee.
- 4.5 In line with good practice, the Audit and Governance Committee should evaluate how well it is executing its responsibilities. One way of supporting this evaluation is by each member of the Committee completing a self-assessment questionnaire. CIPFA has produced an interactive questionnaire in the 2022 edition of the guidance which provides a high-level review that incorporates the key principles set out in both its Position Statement on Audit Committees and its guidance documents.
- 4.6 Where an audit committee has a high degree of performance against the good practice principles, then 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.

- 4.7 This Committee last performed a self-assessment exercise in February 2022. It has been agreed with the Chair of the Committee that each member will again be asked to complete the CIPFA interactive self-assessment questionnaire to cover the 2022/23 municipal year.
- 4.8 Once completed, the questionnaires should be sent to the Head of Internal Audit by Monday 27th February 2023 at the latest.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 None arising directly from this report.

Legal implications

- 8.1 None arising directly from this report.

Climate implications

- 9.1 None arising directly from this report.

Socio-Economic implications

- 10.1 None arising directly from this report.

Other significant implications

- 11.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)		
Background papers:	None	
List of appendices:	Appendix 1 – CIPFA’s Audit Committee Self-Assessment Questionnaire	