



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 17 January 2024

Wards affected: All Wards

AUDIT COMMITTEE SELF ASSESSMENT

Report of Head of Finance (Section 151 Officer)

1. Purpose of report

1.1 To present to the Audit Committee a summary of CIPFA's Audit Committees Practical Guidance for Local Authorities and Police, which was updated in October 2022.

2. Recommendation

2.1 The report is noted, and

2.2 That the Audit Committee members meet to assess themselves against the CIPFA's criteria in the appendix to this report (Appendix 1)

2.3 The Audit Committee's with the support of officers draft an action plan to address areas of weakness noted in the self-assessment.

3. Background to the report

3.1 CIPFA guidance for Audit Committees was updated in October 2022 in the publication "Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)". This publication represents CIPFA's view of best practice for audit committees in local authorities throughout the United Kingdom. The most recent guidance was in 2022, which replaces the 2018 requirements. This new guidance is also supported by the Department for Levelling Up, Housing and Communities and the Home Office.

3.2 The guidance emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It also recognises that audit committees are a key component of governance. Noting that an

“Audit committees are a key component of an authority’s governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.”

3.3 Guidance emphasis that the Audit Committee should be independent of executive decision making and able to provide objective oversight. It makes it clear that the Audit Committee It is 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.

3.4 The checklist has a maximum score of 200 points over 40 questions covering the key areas of:

- Audit committee purpose and governance
- Functions of the committee
- Membership and support
- Effectiveness of the committee

3.5 The audit Committee may wish to consider what a minimum acceptable score is as part of the self-assessment.

3.6 CIPFA have also included a positions statement which is to give guidance to Councils and in particular Audit Committee Members on the purpose of the audit committee, its independence and effectiveness and how it should operate in an apolitical manner to be reflective of good governance practice. This can be read at the end of this report (Appendix2), and members should familiarise themselves with it before completing the self-assessment.

3.6 A full copy of an Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition) is available from CIPFA publications for £265+VAT is desired, but the key elements are attached as appendices to this report.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report is taken in an open session.

5. Financial implications [IB]

5.1 None directly from this report

6. Legal implications [MR]

6.1 The legal implications are contained within the report.

7. Corporate Plan implications

7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

8. Consultation

8.1 None

9. Risk implications

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place to achieve successful transition to the new arrangement in a timely and efficient manner.

10. Knowing your community – equality and rural implications

10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

11. Climate implications

11.1 None directly from this report.

12. Corporate implications

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications

- Planning implications
 - Data protection implications
 - Voluntary sector
-

Background papers: None
Contact Officer: Ashley Wilson, Ext 5609
Executive Member: K Lynch

Appendix 1: Self-assessment of good practice

This appendix 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, 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.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions	Does not comply Partially compliant and extent of improvement needed. Fully complies				
	Improvement Level	Major	Significant	Moderate	Minor
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 (e.g. standards, ethics, scrutiny)?					
2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					
3 Has the committee maintained its advisory role by not taking on any decision-making powers?					
4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?					
6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					
7 Does the governing body hold the audit committee to account for its performance at least annually?					
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position statement					
• results of the annual evaluation, development work undertaken and planned improvements					
• how has it fulfilled its terms of reference and the key issues escalated in the year?					
Subtotal					
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements					
Risk management arrangements					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption					
Annual governance statement					
Financial reporting					
Assurance framework					
Internal audit					
External audit					
10 Over the last year, has adequate consideration been given to all core areas?					
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?					
12 Has the committee met privately with the external auditors and head of internal audit in the last year?					
Subtotal					
Membership and support					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive					
• A size that is not unwieldy and avoids use of substitutes					
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					
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?					
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					
18 Is adequate secretariat and administrative support provided to the committee?					
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					
Subtotal					
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?					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					
22 Are meetings effective with a good level of discussion and engagement from all the members?					
23 Has the committee maintained a non-political approach to discussions throughout?					
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?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
Subtotal					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
Total score					
Maximum possible score 200**					

** 40 questions/sub-questions multiplied by five.

Appendix 2: CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

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.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is 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 committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable.
- in local authorities, be independent of both the executive and the scrutiny functions.
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable.
- 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.
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
- **Financial and governance reporting**
- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:

- oversee its independence, objectivity, performance and conformance to professional standards.
- support effective arrangements for internal audit.
- promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants.
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- be able to meet privately and separately with the external auditor and with the head of internal audit.
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required.
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters.
- support transparency, reporting regularly on its work to those charged with governance.
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.