

AUDIT COMMITTEE	AGENDA ITEM No. 11
24 JULY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and s151 Officer
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Legal, Finance and Corporate Services
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> 1. Approves the planned approach for the assessment of the effectiveness of the Audit Committee as set out in section 4 and 2. Notes the CIPFA position statement included at Appendix 1 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and effectiveness of the Audit Committee.

2. PURPOSE AND REASON FOR REPORT

2.1 The Committee's work programme requires it to review its own effectiveness on an annual basis. Unlike the review of Internal Audit (incorporated into the Annual Opinion) this is not a statutory requirement but an element of best practice.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.18

"To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice".

3. TIMESCALES

Is this a Major Policy Item / Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	-----

4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

4.1.1 As part of the Accounts and Audit Regulations 2015, there is an expectation to review the effectiveness of internal systems, including the effectiveness of any Audit Committee established.

4.1.2 Members of the Committee previously considered a report in July 2022 which reviewed the Committee's effectiveness as the Council's Audit Committee, using the CIPFA "*Toolkit for Local Authority Audit Committees 2018*".

4.1.3 CIPFA have updated this guidance and issued new best practice in 2022. The CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022, is attached at **Appendix A**.

4.2 CIPFA GUIDANCE ON AUDIT COMMITTEES

4.2.1 CIPFA's Position Statement on Audit Committees in Local Authorities and Police represents CIPFA's view on the practice and principles that should be adopted. CIPFA expects that all local government bodies should make their 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.

4.2.2 The Position Statement covers six key areas, which are as follows:

- The Purpose of the Audit Committee;
- The Independent and Effective Model;
- Core functions, highlighting three core functions
 - Maintenance of governance, risk and control arrangements;
 - Financial and governance reporting; and
 - Establishing appropriate and effective arrangements for audit and assurance;
- Audit Committee membership
- Engagement and outputs; and
- Impact

4.2.3 The Position Statement specifies the key regulations which can be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference, similarly there are also a number of good practice suggestions made which have already been adopted. For example:

- "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”. Following recommendations from various independent reviews in 2021, PCC appointed three.

- In addition, the Statement also states that “the appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members”. For PCC, there are targeting training to help develop understanding and appreciation of the subject matter.
- The committee should “be able to meet privately and separately with the external auditor and with the head of internal audit”. While there has been no barriers to these meetings occurring, this has not been a regular process for the Committee. Separate meetings have been held with the previous Chair and the Chief Internal Auditor at various times during the last year.
- The Committee should “report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. PCC Audit Committee has regularly produced an Annual Report on its activities etc. and reported through to Full Council, the first such report being in 2008. Any changes required will be reflected on in the 2023 / 2024 Annual Report.

4.2.4 As part of the agenda item, in previous years there has been a self-assessment undertaken by the Chief Internal Auditor which has covered compliance (or otherwise) against the key components of a successful audit committee together with an overview of the skills and knowledge required and in place across the committee.

4.2.5 In light of the revised Position Statement 2022 and the departure of the previous Chair of the committee, to enable current Members to understand the working of the committee it is proposed that:

- Officers within Democratic Services as part of the wider Constitution review will update the Committee Terms of Reference to reflect best practice
- Based on the CIPFA Position Statement an E-Form questionnaire will be issued in the Autumn to all Committee Members. The timing is to allow new Members to have experienced a number of Committees and associated training sessions to gain a better understanding of their roles and committee responsibilities. It will also allow members to self-assess their understanding of the committee rather than that of officers. Results will be collated and included on a future agenda.
- Member training is refreshed. Current members have been provided with various training since the start of the Municipal Year (for example 19 June 2023 Overview of an Audit Committee and final accounts training on 10 July 2023) and an assessment will be undertaken to ensure it remains fit for purpose.
- All issues for improvement or good practice will form an action plan for the Committee (target will be the January 2024 meeting) and will be included in the Annual Report to Full Council.

5. CORPORATE PRIORITIES

5.1 The report links all corporate priorities.

6. CONSULTATION

6.1 The review has been circulated to the Executive Director of Corporate Services and s151 Officer for consideration.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 PCC will be able to demonstrate that its Audit Committee follows best practice governance guidelines within the public sector, and where there are identified gaps, then clear actions are identified to address.

8. REASON FOR THE RECOMMENDATION

8.1 To provide Members with an overview of the requirements and best practice for audit committees and allow for challenge.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 None

10. IMPLICATIONS

Financial Implications

10.1 The report does not give rise to any additional capital or revenue financial implications.

Legal Implications

10.2 There are no legal implications in respect of what is proposed.

Equalities Implications

10.3 Not applicable.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 None.

12. APPENDICES

12.1 A: CIPFA Position Statement 2022