

AUDIT AND GOVERNANCE COMMITTEE

DATE	20 th April 2023
REPORT OF SUBJECT	Independent Chair of the Audit Committee Annual Report of the Audit and Governance Committee 2022/23
STATUS	Open

CONTRIBUTION TO OUR AIMS

An effective audit committee contributes to the achievement of strategic objectives by seeking and receiving assurance on the systems of risk management, governance and internal control which underpin the delivery of these objectives.

EXECUTIVE SUMMARY

The Annual Report of the Audit and Governance Committee is designed to inform the full Council of the Committee's activities during the Council year (May 2022 to May 2023), and how it has discharged its responsibilities. The Audit and Governance Committee is now asked to formally approve this report prior to it being reported to Full Council.

RECOMMENDATIONS

1. That the Audit and Governance Committee approves the annual report and requests that is presented to the Full Council
2. That the Audit and Governance Committee resolves to give delegated authority to the Chair and the Deputy Chair to make any additions or amendments to the report resulting from the outcome of the Committee held on 20th April 2022.
3. That the Terms of Reference of the Audit and Governance Committee as laid in the Constitution be amended , to include a statement setting out the purpose of the Committee as defined in Section 1 of the Annual Report.

REASONS FOR DECISION

The production of an annual report by the audit committee is considered to be good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) , and has been the Council's practice for some years. It is important that the wider membership of the Council is kept informed of the work to ensure sound control and governance. The report to Council is an essential part of this process.

1. BACKGROUND AND ISSUES

The annual report of the Audit and Governance Committee is attached. It summarises the activities of the Committee, and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit and Governance Committee's self- assessment against the latest good practice provided by CIPFA.

The main conclusions of the report are:

- the Audit and Governance Committee has effectively discharged its duties as an Audit Committee, and has played an important role in promoting good governance across the council and monitoring the effectiveness of its governance arrangements; and
- the work of the Audit and Governance Committee complies with good practice, although some areas for further development around the induction and enhancing the knowledge of Members and substitutes have been identified

2. RISKS AND OPPORTUNITIES

Strong and effective control environment arrangements are an essential element of a robust corporate governance framework. The Audit and Governance Committee has a leading role to play in ensuring that the Council's governance arrangements are effective and contribute to the mitigation of risks. As the Council's operating model continues to evolve, the Committee needs to ensure that its work and the control systems it oversees, remain effective. The annual Committee Work Programme explicitly recognises this development need.

3. OTHER OPTIONS CONSIDERED

No other options are applicable as the production of an annual report is considered to be good practice.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputational issues related to this report. The production of an annual report for consideration by Full Council is a means by which the work of the Audit and Governance Committee can be widely communicated.

5. FINANCIAL CONSIDERATIONS

There are no specific financial considerations related to this report.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

There are no climate change or environmental implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a direct result of this report.

8. LEGAL IMPLICATIONS

There are no direct legal implications arising from the report.

9. HUMAN RESOURCES IMPLICATIONS

There are no direct human resources implications arising from this report.

10. WARD IMPLICATIONS

This report is applicable to all wards.

11. BACKGROUND PAPERS

Audit Committees: Practical Guidance for Local Authorities and Police (2018)
(Chartered Institute of Public Finance and Accountancy)

12. CONTACT OFFICER(S)

Peter Hanmer (Head of Audit and Assurance)
Telephone: 01472 323799

TIM RENDER
CHAIR OF AUDIT AND GOVERNANCE COMMITTEE



AUDIT AND GOVERNANCE COMMITTEE

ANNUAL REPORT 2022/23

FOREWORD BY TIM RENDER, CHAIRMAN OF THE COMMITTEE

I am pleased to introduce the annual report of the Council's Audit and Governance Committee for 2022/23. The Annual Report illustrates the scale and scope of the Committee's work.

The key activities of the Committee were:

- a. Assessing whether the council has an adequate system of internal control. to make sure it can meet its various financial and governance responsibilities, as well as deliver on its priorities.
- b. Whether those systems of control are working effectively.

As a result of this work, we are again able to provide the Council, with assurance around the effectiveness of internal control, risk management and governance arrangements.

We have undertaken specific monitoring of the Council's arrangements for managing risk. We also followed a work programme agreed by the Committee in advance of the municipal year and shared widely within the Council to ensure maximum impact and minimal overlap with other work. The key elements of the work programme are set out in Section 3 of the Annual Report. We continued to separate the scheduling of committee and working group meetings which allows us review in detail key issues at an earlier stage and has given us time to carry out in-depth consideration of key and emerging issues.

I would like to take this opportunity to thank the Members of the Committee for their interest in and commitment to the Committee's work. As ever, we are dependent on the work of others, and I would like to thank the Executive Director Place and Resources, the Assistant Director Law and Governance, the Head of Audit and Assurance, Democratic Services staff and the representatives from our external auditors, for their continuing support during the last year.

1. INTRODUCTION

In May 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its updated “Audit Committee Position Statement”, which sets out the purpose, model, core functions and membership of audit committees. Endorsed by the Department for Levelling up, Housing and Communities, the statement is shown on Appendix 2.

The statement defines the role of an Audit Committee 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” and.

“have 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. 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”

The Audit Committee was set up in 2005. Its role is defined in its terms of reference, as laid out in the Council’s constitution, as shown on Appendix 1. The areas covered within them are consistent with those identified as good practice by the Charter Institute of Public Finance and Accountancy and Finance (CIPFA) in its document *“Audit Committees: Practical Guidance for Local Authorities and Police” (2018- updated in 2022)*. In May 2013, its role was expanded to include partnership governance and was renamed the “Audit and Governance Committee”.

This report informs the full Council of the Committee’s activities during the Council year (May 2022 to April 2023), and how it has discharged its responsibilities.

2. COMMITTEE INFORMATION

Audit and Governance Committee Membership

During the year, the Committee had nine members, plus Tim Render (the independent chair). The membership was as follows:

Chairman – Mr. Tim Render				
Councillor	M	Boyd	(Conservative)	(Deputy Chairman)
Councillor		B	Parkinson	(Conservative)
Councillor		G	Astbury	(Conservative)
Councillor		J	Cairns	(Conservative)
Councillor		O	Freeston	(Conservative)
Councillor		G	Reynolds	(Conservative)
Councillor		M	Patrick	(Labour)
Councillor		M	Green	(Labour)
Councillor S Holland				(Independent)

Audit Committee Meetings and Attendance

During 2023/23 the Committee held four meetings. The schedule of Members attendances, excluding the Independent Chair is shown below. Including substitutes, Members achieved an attendance rate of 81% (22 out of a possible 27) in the three meetings held up to 2 February 2022, whilst substitutes were required in three instances.

Table 1: Attendance at Audit Committee Meetings

	21 July 2022	11 Nov 2022	2 Feb 2022	20 April 2022
Number attended including subs	8	8	6	To be updated

In line with good practice the Section 151 Officer (or her Deputy), the Monitoring Officer, the Head of Audit and Assurance, and a senior representative from external audit. In addition, other senior officers have attended where appropriate, or where they have been invited by the Committee, including the Chief Executive.

In addition, 3 audit working group were to consider issues in greater detail:

- 10 October 2022: the meeting received presentations on the new payments systems introduced in April 2023, and the new operating model;
- 17 March 2023: received a presentation from the Interim Director of Children's Services on governance and internal control processes within Children's Services, and an update on the 2022/23 internal audit plan in relation to Children's Services, and
- 20 March 2023: discussed the draft Committee's self-assessment, received updates from relevant senior managers in relation to the governance arrangements around Freshney Place, the Leisure Partnership and the Regeneration Partnership. It also discussed the guidance contained in CIPFA's Audit Committee statement (2022) that they should have two co-opted Members and reviewed the Audit Committee self-assessment checklist.

Training

The Council recognises the importance of providing Committee Members with the training to allow them to effectively carry out what can be a demanding and technical role. In 2022/23 training included:

- Audit Committee Induction (incorporating an introduction to internal control, governance and the role of Internal Audit (June 2021), with an extra session for those unable to attend the initial session (September 2022). This training was also provided to substitutes.
- Risk Management (October 2022)
- The Statement of Accounts (November 2022)
- Treasury Management (February 2022)

Sources of external training have included:

- Attendance by the Chair at the Yorkshire and Humber Audit Committee Group by the Chair
- Attendance by the Chair at a CIPFA event held on 8/11/22 to discuss the implications of CIPFA's updated Audit Committee Position Statement and additional guidance.
- Circulation of Audit Committee newsletter from CIPFA which focused on it updated "Guidance on Audit Committees in Local Authorities and Police" and on a report it issued called "Internal Audit: Untapped Potential".

3. HOW THE AUDIT COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES, AND ITS ACHIEVEMENTS

The Committee has discharged its responsibilities in 2022/23 is described below including its achievements in specific key areas:

Approve the Statement of accounts

Subject to receipt of the final audit certificate from the council's external auditors and any amendments arising, approved the audited annual statements of accounts on behalf of the Council and considered the external auditor's Report. Where appropriate the Committee sought assurance from officers and the external auditors on the content of the accounts. (November 2022). As of 27 March 2023, the final certificate had not been received due to a national issue regarding the valuation of highways assets.

Reviewed the proposed accounting policies for the statements of accounts 2022/23 (February 2023)

Annual Governance Statement/ Code of Governance

Reviewed the draft Annual Governance Statement 2021/22. (July 2022)

Subject to receipt of the final audit certificate from the council's external auditors approved the final Annual Governance Statement and recommended it be signed on the Council's behalf by the Leader and the Chief Executive (November 2022)

Approved revisions the Council's updated Code of Governance, and received an update on progress issues identified for further focus identified in the Annual Governance Statement (February 2023)

Approve the Internal Audit Plan / Head of Internal Audit Annual Report and Opinion

Considered the Head of Internal Audit Report and Opinion for 2021/22 (July 2022)

Received an update on the detailed content of the audit plan 2023/23 approved by the Committee in April 2022 (July 2022)

Received an interim report from the Head of Internal Audit on the delivery of the annual audit plan 2022/23, including a summary of findings from audit reports, (February 2023)

Considered the proposed audit plan for 2023/24 and sought assurance on its compilation (April 2022)

In between formal meetings the Head of Internal Audit has periodic informal meetings were appropriate with both the Chair and Deputy Chair of the Committee to allow them to discuss emerging issues.

Promoting an anti-fraud culture

Received an interim report on anti-fraud activities taking place within the Council (November 2022)

Reviewed the Annual Fraud Report 2022/23 (April 2023)

External Audit

Received the External Audit Strategy Memorandum relating to the 2021/22 external audit of the Statement of Accounts and the VFM opinion (July 2022)

Received the External Audit Completion Letter- this provided an update on the progress in completing the 2021/22 external audit (November 2022)

Received a progress report from External Audit (February 2023)

There is an opportunity at the end of each meeting for the Committee to have a private discussion (i.e., in the absence of the Executive) with External and Internal

Audit at the request of the respective audit managers. No such request was made during the year.

Risk Management

Received the annual risk management report 2021/22 providing a summary of the developments relating to risk management (June 2022)

Reviewed the Strategic Risk Register (November 2022, April 2023)

Treasury Management

Reviewed the Treasury Management Annual Report 2020/21 containing details of treasury management arrangements, activity, and performance. (June 2022)

Reviewed the Treasury Mid-Year Review 2022/23, detailing the treasury management arrangements, activity, and performance during the first six months of 2022/23. (November 2022)

Considered the Treasury Management Policy and Strategy Statement 2023-24. recommending their approval by Full Council (January 2023).

Partnership Governance

Received a stocktake report in relation to partnership governance. The report focused on the governance arrangements relating to each of its main partnerships (January 2023)

Received a verbal update from the North East Lincolnshire Place Director on the governance of Adult Social Care and the work of the union considering the changes in the NHS Act 2022 (July 2022)

Received a verbal update from the Chief Executive on the above. Mr. Walsh set out the national context and some of the key developments with the integrated care arrangements (February 2023)

Annual work programme

As well as discharging its key formal responsibilities the Committee has developed an annual work programme to allow it to obtain a greater understanding of strategic interest. During 2022/3 it received reports and sought assurance in the following areas:

- Received a briefing from Deputy Section 151 Officer in relation to the process for producing the Medium-Term Financial Plan (November 2022)

- Considered the Annual Information Governance and Security report (2022/23) outlining key information governance activities undertaken and providing assurance on the Council's arrangements (April 2023)
- Considered the Annual Value for Money report (2022/23) summarising value for money activity during 2022/23 (April 2023)
- Considered a report from the Chair, that in line with the latest CIPFA guidance, that the Committee recommends to Full Council that membership of the Committee should be increased to include a second co-opted independent member.

4. AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT

The Audit Committee annually carries out a self-assessment of its performance against CIPFA guidance. In March 2023 the Chair, with the support the Head of Audit and Assurance, carried out a self- assessment of the Audit Committee against CIPFA's "Audit Committee Position Statement (2022) and subsequent additional guidance issued by CIPFA "Audit Committees: Practical Guidance for Local Authorities and Police. issued from CIPFA (2022)".

The . self-assessment was discussed with members at an Audit Working Group (March 2023) and is shown in Appendix 3. It demonstrates that in most cases it was concluded that the Committee complies with good practice, subject to the observations discussed below:

Question 3: Has the committee maintained its advisory role by not taking on any decision-making powers?

It was acknowledged that in some area's decisions are delegated to the Audit and Governance Committee for approval (e.g., the Statements of Accounts, Code of Governance etc) but it was felt that this should stay unchanged.

Question 4: Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?

This was identified as an area for "minor" improvement as this needs to be included in the Audit and Governance Committee's terms of reference. [It is proposed that CIPFA's definition of the purpose of the Audit Committee is adopted.](#)

Question 5: Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?

For the purpose of this question CIPFA defines "Charged with governance" means the "Full Council". It was assessed as "moderate improvement "as although the Full Council does receive a presentation of the role of the committee it was felt that their knowledge could be further developed as part of the Member Induction process.

Question 13B- A size that is not unwieldy and avoids use of substitutes.

This was assessed as “moderate” improvement. There are currently nine Members of the Committee plus the independent chair. This is felt to be a reasonable size. In relation to substitutes, it is recognised that they need to understand the role of the Committee and the areas it covers and therefore it has been agreed with the Group Leaders that they will be required to attend the mandatory induction training at the beginning of the new Municipal year. It was also suggested via discussions around the self-assessment that they should receive agenda papers for all Audit Committee meetings and be invited to Audit Working Group meetings.

Question 14: Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

It is acknowledged that when appointed not all new Members will have previous knowledge and experience of the areas covered by the Audit and Governance Committee’s Terms of Reference

Question 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?

There has been some consultation with Members in recent years about training needs, but this has not been formalised, and hence it has been assessed as “moderate” improvement. It is suggested that as part of the induction of the Committee in the new Municipal Year they will have the opportunity to self-asses themselves against training guidance provided by CIPFA and this will subsequently be built into a training programme.

Question 17: Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

“Moderate” improvement as per Question 15

Appendix 1

Audit and Governance Committee Terms of Reference and Powers

1. To approve the Council's Annual Statement of Accounts, including the income and expenditure account, balance sheet and cash flow statement.
2. To consider and approve, on behalf of the council the external auditor's Annual Governance Report.
3. To approve the Internal Audit Charter, Internal Audit Plan and Performance Indicators
4. To review summary internal audit reports and any significant issues arising and recommend appropriate actions in response.
5. To consider the Head of Internal Audit's annual report and opinion and the level of assurance it can give over the Council's Corporate Governance Arrangements.
6. To consider reports dealing with the management and performance of internal audit.
7. To monitor and keep under review the Council's arrangements to secure value for money.
8. To monitor and keep under review the Council's Risk Management arrangements.
9. To monitor and keep under review the effectiveness of the Council's anti-fraud and corruption arrangements (including the consideration of an annual report summarising the Council's actions in relation to good conduct and anti-fraud and corruption).
10. To monitor and keep under review treasury management arrangements to ensure that the treasury management strategy and policies follow the CIPFA code of practice and are scrutinised in detail before being accepted by the Council.
11. To receive and approve treasury management practices and schedules.
12. To monitor and review the Council's assurance statements, including the Council's Code of Governance and the Annual Governance Statement, to ensure that they properly reflect the risk environment and any actions required to improve it, and to monitor management action in response to the action plan arising from it
13. To consider the reports of external audit and inspection agencies insofar as they affect the Council's Corporate Governance Arrangements.
14. To monitor management action in response to issues raised by external audit.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.
16. To commission work from internal and external audit.
17. To review any issue referred to it by the Chief Executive or a Director and any Council body.
18. To consider the Council's compliance with its own and other published standards and controls.
19. To refer items to the Audit Working Group for detailed consideration.
20. To produce an annual report for full council summarising its work during the year.

21. To provide at each meeting the opportunity to have a private meeting with only the external and internal auditors present.

22. To monitor and keep under review the Council's arrangements for partnership governance

Appendix 2: CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

See attachment.

Appendix 3: Self-assessment of good practice

See attachment

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

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.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

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.

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, 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 should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
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 (eg 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?				
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?				

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
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																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> 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?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

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

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?

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?

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?

Good practice questions	Partially complies and extent of improvement needed				Fully complies	
	Does not comply	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5	
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 score						
Total score						
Maximum possible score						200**

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