

Report to: Audit Committee

Date of meeting: 28 March 2024

By: Chief Finance Officer

Title: Audit Committee Self-Assessment

Purpose: To present the outcome of the Audit Committee self-assessment and actions arising.

RECOMMENDATION:

The Audit Committee is recommended to consider the outcome of the self-assessment exercise and the actions arising.

1. Background

1.1 The CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 has been published, replacing the 2018 edition. The statement represents CIPFA's view on Audit Committees and is the outcome of consultation with local authority representatives. It is expected that all local government bodies make the best effort to adopt the principles within the statement. The Department of Levelling Up, Housing and Communities supports the guidance.

1.2 A summary of the Position Statement is attached at Appendix A.

2. Independent Members of Audit Committees

2.1 In the section "Membership and the effectiveness of the audit committee", CIPFA references the role of the co-opted independent members (also known as lay members), in increasing the knowledge and experience base of the committee, whilst also reinforcing its independence. Whilst there is no legislative requirement for independent members in most English authorities (it is a legal requirement in Wales and in English combined authorities), CIPFA recommends the committee includes two co-opted independent members.

2.2 The Audit Committee on 7 July 2023 supported the recommendation to expand the Audit Committee membership with up to two co-opted independent members; this was approved by Full Council on 10 October 2023.

2.3 In order to assess whether there are particular skills and/or knowledge that an independent member could bring, the Audit Committee agreed to undertake a self-assessment, in line with the CIPFA Position Statement.

3. Audit Committee Self-Assessment

3.1 The self-assessment has been conducted in accordance with CIPFA best practice, with two elements of assessment undertaken:

- Assessment of Good Practice: undertaken by officers and reviewed by Committee Members
- Knowledge and Skills Baseline Assessment: undertaken by Committee Members

The outcome of these assessments is set out in Appendix B and C.

3.2 Self-Assessment of Good Practice:

The self-assessment of good practice (as set out by CIPFA) focuses on four areas and assesses whether the Committee fully, partially or does not comply. For areas that do not fully comply there is an assessment as to whether improvements required are minor, moderate, significant or major. Officers have undertaken the assessment, including providing evidence of compliance, which has been reviewed by Committee Members as part of their self-assessment. For the large part, the assessment identified full compliance to good practice; the areas that require improvement are set out below:

1. Purpose and Governance:

Two areas of improvement were identified:

7. Does the governing body hold the audit committee to account for its performance at least annually?

8. Does the audit committee publish an annual report in accordance with the 2022 guidance?

Whilst a report is presented to Governance Committee every six months on the activity of scrutiny committees, including the Audit Committee, it is recommended by CIPFA that a standalone Audit Committee Annual Report is published. A draft annual report will be presented to the Audit Committee at its meeting in June 2024, reflecting on its activities during 2023/24.

2. Functions of the Committee:

Two areas of improvement were identified:

9. Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows: Governance, Risk Management and Internal Control arrangements?

It is proposed to take the opportunity to review the Terms of Reference of the Committee to ensure clarity.

12. Has the Audit Committee met privately with the external auditors and head of internal audit in the last year?

Whilst the Audit Committee meets annually with internal audit as part of the Internal Audit Plan development process, there has not been a specific service issue that has required a private meeting. The Audit Committee is a public meeting; however, has the opportunity to go into private session.

3. Membership and Support:

Two areas of improvement were identified:

13. Has the Audit Committee been established in accordance with the 2022 guidance as follows:

- Size that is not unwieldy and avoids use of substitutes.
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendations.

Substitutes have attended the Audit Committee in recent meetings. It is planned to recruit up to two independent members of the Audit Committee, increasing the size of the Audit Committee to a potential nine members.

15. Has an evaluation of knowledge, skills and the training needs of the Chair and Audit Committee members been carried out in the last two years?

A self-assessment exercise has been actioned and is included within this report. This will inform the further training requirements of Audit Committee members.

4. Effectiveness of the Committee.

Three areas of improvement have been identified:

20. Has the Audit Committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

27. Has the Audit Committee evaluated whether and how its adding value to the organisation?

28. Does the Audit Committee have an action plan to improve any areas of weakness?

The development of an Annual Report for the Audit Committee and the self-assessment exercise are the first steps to addressing these areas for improvement.

3.3 Knowledge and Skills Baseline Assessment:

Members of the Audit Committee have undertaken a self-assessment; six returns were received and these are summarised at Appendix C. Members were asked whether they met fully, partially or did not meet a number of key factors. Whilst members were able to assess themselves as meeting 75% or fully in a number of areas, there was noticeably less assurance within "qualifications/experience" (questions 15 to 22) section.

Appendix C highlights, in yellow, those areas of assessment where the number of members assessing themselves at "75%" or "Fully" meeting the requirements totals 4 or less. The areas highlighted provide the focus for upcoming recruitment and future training.

Recruitment to Independent Member of Audit Committee:

The self-assessment suggests that there are potential gaps in direct professional skills and experience relating to accountancy, audit, legal and governance services, information technology and direct local government service delivery. Whilst some of the potential gaps can be addressed through training, there is an opportunity through the recruitment of independent co-opted members to the Audit Committee to make "desirable" the professional skills that are not currently strongly identified. The Job Description and Person Specification, together with the advert, will reflect these requirements.

Training and Development:

The self-assessment identified a number of areas where training could be provided to increase knowledge and awareness:

- Awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for the delivery of the Internal Audit service in the Council and how the role of Chief Internal Auditor is fulfilled.

- Awareness of the financial statements that the Council must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the Council meets the requirements of the role of Chief Finance Officer, as required by the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
- Knowledge of the Seven Principles of Public Life. Knowledge of the Council's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the Council.
- Able to focus on material issues and over all position, rather than side tracked by detail.
- Able to frame questions that draw out relevant facts and explanations.

Work will be undertaken to address these training needs in the coming months.

4. Conclusion and Recommendation

4.1 The Audit Committee is recommended to consider the outcome of the self-assessment exercise and to actions arising.

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Local Member(s): All
Background Documents
None