

## **Audit Committee's Self-Assessment and Action Plan**

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**Portfolio:** Finance

**Ward(s) Affected:** All

### **Purpose of the Report:**

This report outlines the results of the self-assessment exercise completed by Members at the last Audit Committee meeting and the resulting action plan.

### **Recommendations:**

- For Audit Committee to note the documented results of the self-assessment exercise and review the action plan and consider whether all improvement actions have been captured.
- For all Members to complete the knowledge and skills self-assessment questionnaire and return this by the date requested.

## **1. Summary**

- 1.1 Members completed the self-assessment tool, 'Self-assessment of good practice' at the last Audit Committee meeting.
- 1.2 Completion of the self-assessment provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Audit Committee, and good corporate governance is achieved.

## **2. Background**

- 2.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) document on "Audit committees – practical guidance for local authorities and police 2022" sets out the guidance on the function and operation of audit committees. It represents CIPFA's view of best practice. The guidance states the purpose of an audit committee "is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements."
- 2.2 In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee's and a new Audit Committee self-assessment template is now available.
- 2.3 Good audit committees are characterised by; objective, independent knowledgeable and properly trained members, a membership that promotes good governance principles, a strong, independently minded chair, an unbiased attitude, the ability to challenge when required.
- 2.4 It is good practice for Audit Committee members to review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis.
- 2.5 In addition, the Public Sector Internal Audit Standards also call for the Audit Committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
- 2.6 The guidance provides a tool, the 'Self-assessment of good practice' against which the Committee can assess itself under the areas of 'purpose and governance', 'functions of the Audit Committee', 'membership and support', and 'effectiveness of the committee'. Scores of 0-5, does not comply / major improvement to fully complies / no further improvement are the available options for the questions.

### **3. Current position/findings**

- 3.1 Members completed the self-assessment tool, 'Self-assessment of good practice' at the last Audit Committee meeting.
- 3.2 From the results of this assessment, an action plan was produced capturing the improvement actions identified during the exercise.
- 3.3 Members were also sent a Knowledge and Skills self-assessment questionnaire, to be used to guide Members on their training needs and support the evaluation of the overall knowledge and skills of the Committee. Only one Member returned this questionnaire. Therefore, the questionnaire will be issued again after the meeting and we would ask the Chair to encourage everyone to complete it so that any training needs can be identified and training arranged.

### **4. Proposed action**

- 4.1 For Members to note the final scores for the 'Self-assessment of good practice' **attached at Appendix 1** and review the action plan **attached at Appendix 2** and consider whether all improvement actions have been captured.
- 4.2 For all Members to complete the Knowledge and Skills self-assessment questionnaire and return this by the date requested.

### **5. Issues and Risks**

- 5.1 **Resource implications** –there are no resource implications arising from this report.
- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.
- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.
- 5.6 **Risks** – There is a risk that the Committee may not fulfil its role and purpose because an evaluation of itself is not undertaken, and improvements not considered.

### **6. Conclusion**

- 6.1 For Members to note the final scores for the 'Self-assessment of good practice' **attached at Appendix 1** and review the action plan **attached at Appendix 2** and consider whether all improvement actions have been captured.

## **7. Recommendations**

- 7.1 For Members to note the final scores for the 'Self-assessment of good practice' **attached at Appendix 1** and review the action plan **attached at Appendix 2** and consider whether all improvement actions have been captured.
- 7.2 For all Members to complete the Knowledge and Skills self-assessment questionnaire and return this by the date requested.

### **Background papers**

#### **Appendices:**

Appendix 1 – Self-Assessment of Good Practice

Appendix 2 – Action Plan

**Results of self-assessment exercise**

	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
	<b>Weighting of answers</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>
<b>Audit committee purpose and governance</b>						
<b>1</b>	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5
<b>2</b>	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					5
<b>3</b>	Has the committee maintained its advisory role by not taking on any decision-making powers?				3 – approves AGS and Financial Statements	
<b>4</b>	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s 2022 Position Statement?	0				
<b>5</b>	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3	
<b>6</b>	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?				3	
<b>7</b>	Does the governing body hold the audit committee to account for its performance at least annually?					5

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<b>8</b>	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"> <li>Compliance with the CIPFA Position Statement 2022</li> </ul>				3	
	<ul style="list-style-type: none"> <li>Results of the annual evaluation, development work undertaken and planned improvements</li> </ul>				3	
	<ul style="list-style-type: none"> <li>How it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>				3	
<b>9</b>	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements			2		
	Risk management arrangements			2		
	Internal control arrangements, including: <ul style="list-style-type: none"> <li>Financial management</li> <li>Value for money</li> <li>Ethics and standards</li> <li>Counter fraud and corruption</li> </ul>			2		
	Annual governance statement			2		

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	Financial reporting			2		
	Assurance framework			2		
	Internal audit			2		
	External audit			2		
<b>10</b>	Over the last year, has adequate consideration been given to all core areas?				3	
<b>11</b>	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?					5
<b>12</b>	Has the committee met privately with the external auditors and head of internal audit in the last year?	0				
<b>Membership and support</b>						
<b>13</b>	Has the committee been established in accordance with the 2022 guidance as follows?					
	<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>					5
	<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>				3	

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	<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>				3	
<b>14</b>	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					5
<b>15</b>	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?			2		
<b>16</b>	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?			2		
<b>17</b>	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3	
<b>18</b>	Is adequate secretariat and administrative support provided to the committee?					5
<b>19</b>	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5



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	<b>Weighting of answers</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>
<b>20</b>	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?				3	
<b>21</b>	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
<b>22</b>	Are meetings effective with a good level of discussion and engagement from all the members?					5
<b>23</b>	Has the committee maintained a non-political approach to discussions throughout?					5
<b>24</b>	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?					5
<b>25</b>	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5
<b>26</b>	Do audit committee recommendations have traction with those in leadership roles?				3	
<b>27</b>	Has the committee evaluated whether and how it is adding value to the organisation?				3	

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<b>28</b>	Does the committee have an action plan to improve any areas of weakness?				3	
<b>29</b>	Has this assessment been undertaken collaboratively with the audit committee members?					5
	<b>Total score</b>					<b>142</b>
<b>Maximum possible score</b>						<b>200</b>

\* 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.

**Action Plan**

Action	Owner	Date for Completion	Progress
1. Review the decision-making powers of Audit Committee as Committee is currently approving the financial statements and AGS (Q3)	J Hammond and E Hodds	By December 2024	
2. Ensure that any matters or issue escalated to those in governance and leadership roles are minuted. (Q6)	J Hammond and T Yousefian	Every meeting	
3. Update the Audit Committee's terms of reference to include the purpose of the Audit Committee (Q4) and to explicitly address all the core areas identified in CIPFA's Position Statement (Q9)	J Hammond	To go to January 2025 meeting	
4. For the next annual report of the Audit Committee ensure the following are included: - <ul style="list-style-type: none"> <li>• Compliance with the CIPFA Position Statement 2022</li> <li>• Results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	J Hammond / T Yousefian	Annual Report for 23/24	

Action Plan

Action	Owner	Date for Completion	Progress
<ul style="list-style-type: none"> <li>How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8)</li> </ul>			
5. Ensure that Audit Committee's agenda covers all of the core areas in its terms of reference over the year. (Q10)	J Hammond / T Yousefian	Ongoing	To review at each meeting
6. Audit Committee to meet privately with the external auditors and head of internal audit each year. (Q12)	Both	Both - Autumn 2024	
7. Audit Chair to write to relevant person regarding the use of substitutes and size of the Committee. (Q13)	T Yousefian	By end of September 2024	
8. To appoint an independent person (Q13)	E Hodds and T Yousefian	By September 2024	
9. Audit Committee members to undertake an evaluation of their knowledge, skills and training needs every two years. (Q15)	T Sharman	To be completed over the summer months with a report to Audit Committee in September 24	
10. As a result of the evaluation in 9 above, arrange training to address training needs of	J Hammond	TBC following outcome of evaluation	

**Action Plan**

Action	Owner	Date for Completion	Progress
Audit Committee Members. (Q16)			
11. As a result of 7 above, if training cannot address any skills or knowledge gaps to a satisfactory level, consider revising the membership of the Audit Committee to address this. (Q17)		TBC following outcome of evaluation and training	
12. Obtain feedback on Audit Committee's performance from those interacting with the committee or relying on its work. (Q20 & Q26)	T Sharman	Report to Audit Committee in January 2025	
13. Evaluate whether and how the Audit Committee is adding value to the Council by completing the 2 <sup>nd</sup> CIPFA assessment tool, 'evaluating effectiveness of the audit committee' (Q27)	Teresa Sharman to facilitate a session	Next self-assessment March 2025	
14. Monitor completion of this Action Plan (28)	J Hammond and T Yousefian	Action Plan to come to every meeting	
15. Ensure all Members participate in the 2 <sup>nd</sup> CIPFA assessment tool, 'evaluating	T Yousefian	When the exercise is scheduled in March 2025	A good proportion of Members were present for the first tool self-assessment in April 2024.

**Action Plan**

<b>Action</b>	<b>Owner</b>	<b>Date for Completion</b>	<b>Progress</b>
effectiveness of the audit committee' exercise. (Q29)			