

This assessment provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement : Audit Committees in Local Authorities and Police 2022. 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 committee's annual report.

### Good practice questions

Purpose and Governance		Answers	Improvement Actions (if answer 'Partly' or 'No')
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 Full Council?		
3	Has the audit 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 audit committee?		
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?		
7	Does Full Council 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 CIPFA audit committee guidance 2022, including:		
9	• compliance with the CIPFA Position Statement 2022		
10	• results of the annual evaluation, development work undertaken and planned improvements		
11	• how it has fulfilled its terms of reference and the key issues escalated in the year?		
12	Do the audit committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?		
13	• Governance arrangements		
14	• Risk management arrangements		
15	• Internal control arrangements, including financial management, value for money, ethics and standards, counter fraud and corruption		
16	• Annual governance statement		
17	• Financial reporting		
18	• Assurance framework		
19	• Internal audit		
20	• External audit		
21	Over the last year, has adequate consideration been given to all core areas?		
22	Over the last year, has the audit committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?		
23	Has the audit committee met privately with the external auditors and head of internal audit in the last year?		

Membership and Support		Answers	Improvement Actions (if answer 'Partly' or 'No')
	Has the audit committee been established in accordance with the 2022 guidance as follows?		
22	• Separation from the executive		
23	• A size that is not unwieldy and avoids use of substitutes		
24	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation		
25	Have all audit committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?		
26	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?		
27	Have regular training and support arrangements been put in place covering the areas set out in the CIPFA audit committee 2022 guidance?		
28	Across the committee membership, is there a satisfactory level of knowledge, as set out in the CIPFA audit committee 2022 guidance?		
29	Is adequate secretariat and administrative support provided to the audit committee?		
30	Does the audit committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?		

Effectiveness of the Committee		Answers	Improvement Actions (if answer 'Partly' or 'No')
31	Has the audit committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?		
32	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?		
33	Are meetings effective with a good level of discussion and engagement from all the members?		
34	Has the audit committee maintained a non-political approach to discussions throughout?		
35	Does the audit committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		
36	Does the audit committee make recommendations for the improvement of governance, risk and control arrangements?		
37	Do audit committee recommendations have traction with those in leadership roles?		
38	Has the audit committee evaluated whether and how it is adding value to the organisation?		
39	Does the audit committee have an action plan to improve any areas of weakness?		
40	Has this assessment been undertaken collaboratively with the audit committee members?		

**Total Score** 0

**200** Maximum Possible Score (40 Qs multiplied by 5)

### Evaluating the Impact and Effectiveness of the Audit Committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. This assessment tool will help identify where the audit committee is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

The outcome of the review can be used to inform the committee's annual report.

#### Assessment Key:

**5** - Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.

**3** - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

**1** - No evidence can be found that the audit committee has supported improvements in this area.

	Areas Where the Audit Committee Can Have Impact by Supporting Improvement	Key Indicators of Effective Arrangements	Examples of How the Audit Committee Can Demonstrate Its Impact	RBG Score	Comments / Improvement Actions (if score 3 or 1)
1	Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>The authority's scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations.</li> <li>The head of internal audit's annual opinion on governance is satisfactory (or similar wording).</li> </ul>	<ul style="list-style-type: none"> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>		
2	Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> <li>The head of internal audit's annual opinion over internal control is that arrangements are satisfactory.</li> <li>Assessments against control frameworks such as CIPFA's Financial Management Code have been completed and a high level of compliance identified.</li> <li>Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>	<ul style="list-style-type: none"> <li>Encouraging ownership of the internal control framework by appropriate managers.</li> <li>Actively monitoring the implementation of recommendations from auditors.</li> <li>Raising significant concerns over controls with appropriate senior managers.</li> </ul>		
3	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> <li>A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>Monitoring improvements to risk management.</li> <li>Reviewing accountability of risk owners for major/strategic risks.</li> </ul>		
4	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> <li>The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing the adequacy of the leadership team's assurance framework.</li> <li>Specifying the committee's assurance needs, identifying gaps or overlaps in assurance.</li> <li>Seeking to streamline assurance gathering and reporting.</li> <li>Reviewing the effectiveness of assurance providers, eg internal audit, external audit.</li> </ul>		
5	Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> <li>The quality of liaison between external audit and the authority is satisfactory.</li> <li>The auditors deliver in accordance with their audit plan, and any amendments are well explained.</li> <li>A high quality audit is delivered.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>Providing good engagement on external audit plans and reports.</li> <li>Supporting the implementation of audit recommendations.</li> </ul>		

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**1** - No evidence can be found that the audit committee has supported improvements in this area.

	<b>Areas Where the Audit Committee Can Have Impact by Supporting Improvement</b>	<b>Key Indicators of Effective Arrangements</b>	<b>Examples of How the Audit Committee Can Demonstrate Its Impact</b>	<b>RBG Score</b>	<b>Comments / Improvement Actions</b> <i>(if score 3 or 1)</i>
6	Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> <li>An internal audit service that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>The head of internal audit and the organisation operate in accordance with the principles of the CIPFA Statement on the Role of the Head of Internal Audit (2019).</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing the audit charter and functional reporting arrangements.</li> <li>Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>		
7	Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> <li>Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>The authority's arrangements to review and assess performance are satisfactory.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>Reviewing the effectiveness of performance management arrangements.</li> </ul>		
8	Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> <li>External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>Considering how performance in value for money is evaluated as part of the AGS.</li> <li>Following up issues raised by external audit in their value-for-money work.</li> </ul>		
9	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> <li>Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</li> <li>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> <li>Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>		
10	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> <li>The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Working with key members to improve their understanding of the AGS and their contribution to it.</li> <li>Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>Publishing an annual report from the committee.</li> </ul>		

**Total Score** 0

**50**

Maximum Possible Score (10 Qs multiplied by 5)

**Choose Answer**

		Count	Total Scores
Yes	Yes - 5	0	0
Partly	Partly - 3	0	0
No	No - 0	0	0
		<b>0</b>	<b>0</b>

**Effectiveness Score**

		Count	Total Scores
5	5 = 5	0	0
3	3=3	0	0
1	1=0	0	0
		<b>0</b>	<b>0</b>