

## Appendix 1 – Self Assessment Checklist

### Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA’s Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle’s then it is an indicator that the Committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	<b>Good Practice Questions</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
1	Does the authority have a dedicated Audit Committee?	✓		
2	Does the Audit Committee report directly to Full Council?	✓		
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA’s position statement? <a href="#">Recommendation: That the newly elected 2023/24 Audit Committee review the Terms of Reference (alongside CIPFA’s Position Statement and best practice Terms of Reference (pgs 59 – 62)).</a> Responsibility: Committee. Date: September 2023	✓		
4	Is the role and purpose of the Audit Committee understood and accepted across the authority <a href="#">Recommendation: That a session be included within the Induction Training Programme on basic audit skills and the importance of the role of being a Member on the Audit Committee. To be supported by a Member handbook if possible and list of acronyms.</a> Responsibility: CFO. Date: September 2023			✓
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance? <a href="#">Recommendation: That the Chair of the Audit Committee attend (partly) the Chief Finance Officer (CFO)/Audit Manager meetings on a 6-monthly basis – to consider the longstanding Audit Recommendations (prior to discussion with the Senior Leadership Team).</a> Responsibility: CFO. Date: September 2023  <a href="#">Recommendation: That the Chair and Vice-Chair of the Audit Committee periodically meet with the Audit Manager independent of the CFO.</a> Responsibility: Audit Manager. Date: September 2023		✓	
6	Are the arrangements to hold the Committee to account for its performance operating satisfactorily? <a href="#">Recommendation: That once established the Audit Committee Members complete a skills audit (also include personal skills) using the ‘Audit Committee Members – knowledge and skills framework’ (Appendix 2).</a> Responsibility: Committee. Date: September 2023  <a href="#">Recommendation: To create a mechanism (self-review) to hold the Audit Committee to account – performance etc. Chief Finance Officer to consider Local Government Association guidance/consider a Committee peer review.</a> Responsibility: CFO. Date: September 2023  <a href="#">Recommendation: To consider a Committee peer review (every four years, first during autumn 2023), subject to costs etc.</a> Responsibility: CFO. Date: December 2023		✓	

	<a href="#">Recommendation: That the Chair of the Audit Committee holds regular meetings with the Leader of the Council to discuss audit issues. Responsibility: Committee Chair. Date: September 2023</a>			
	<b>Functions of the Committee</b>			
7	Do the Committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? - Good governance - Assurance framework, including collaborations and partnerships - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption - Supporting the ethical framework	✓		
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? <a href="#">Recommendation: use this self-assessment process annually to identify improvements (include the Independent Audit Person). Responsibility: Committee/CFO. Date: March 2024</a>			✓
9	Has the audit Committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the Committee to undertake them?	✓		
10	Where coverage of core areas has been found to be limited, are plans in place to address this	✓		
11	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓		
	<b>Membership and support</b>			
12	Has an effective Audit Committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - <a href="#">training improvements identified above</a> - A size of Committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	✓ ✓ ✓	✓	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	✓		
14	Does the Chair of the Committee have appropriate knowledge and skills? - <a href="#">training improvements identified above</a>		✓	
15	Are arrangements in place to support the Committee with briefings and training? - <a href="#">training improvements identified above</a>		✓	
16	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory? <a href="#">See 6 above.</a>			✓
17	Does the Committee have good working relationships with key people and organisations, including external	✓		

	audit, internal audit and the chief finance officer?			
18	Is adequate secretariat and administrative support to the Committee provided?	✓		
	<b>Effectiveness of the Committee</b>			
19	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work? <a href="#">Recommendation: That other non-committee Members are encouraged to attend meetings and to provide feedback on performance. Responsibility: Committee. Date: December 2023</a>			✓
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓		
21	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? <a href="#">Recommendation: That responsible officers be invited to attend Audit Committee meetings (to answer Member questions) on outstanding Recommendations / undelivered Recommendations / risks. Responsibility: Committee. Date: March 2024</a>  <a href="#">Recommendation: That Member questions be forwarded to officers prior to the meeting. Responsibility: Committee. Date: March 2024</a>  <a href="#">Recommendation: To consider the introduction of timed agendas. Responsibility: Committee. Date: March 2024</a>		✓	
22	Does the committee make Recommendations for the improvement of governance, risk and control and are these acted on?	✓		
23	Has the Committee evaluated whether and how it is adding value to the organisation? <a href="#">See 8 above.</a>			✓
24	Does the Committee have an action plan to improve any areas of weakness? <a href="#">This document will form the basis of this for the future.</a>			✓
25	Does the committee publish an annual report to account for its performance and explain its work? <a href="#">Recommendation: That an Annual Report be produced and reported to Full Council each year to ensure that all Members are aware of the Audit Committee's functions and responsibilities and what has been considered throughout the year. Responsibility: Committee. Date: March 2024</a>			✓

Questions 14 & 15. Following the results of the local elections in May 2023, Audit and Standards Committee Members will be assessed against the CIPFA Core Knowledge and Skills Framework. Any areas for further training will be identified and a programme developed for new Members where required.

\* Represents an area where a recommended improvement action has been agreed by the Committee

## Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it 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.

Assessment Key:

- 5 Clear evidence is available from several sources that the Committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.
- 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.
- 2 There is some evidence that the Committee has supported improvements, but the impact of this support is limited.
- 1 No evidence can be found that the audit Committee has supported improvements in this area.

**Please note that further examples are provided within the CIPFA guidance (pages 77 – 80)**

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
1. Promoting the principles of good governance and their application to decision making	<p><b>Examples to consider:</b></p> <p>Effective scrutiny through receipt of internal audit reports quarterly where enough detail is provided for the Audit and Standards Committee to evaluate the adequacy of the governance framework.</p> <p>Annual completion of self-assessment to evaluate effectiveness of governance processes of the Committee. <a href="#">See 8 above.</a></p> <p>Supporting the development of a local code of governance. <a href="#">To be delivered as part of this year's 2022/23 Annual Governance process. Responsibility: CFO. Date: July 2023</a></p> <p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>The Committee's independence strengthens their effectiveness and cross-party working is displayed at meetings.</p>	3

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
	Best practice inclusion of an independent Member.	
2. Contributing to the development of an effective control environment	<p><b>Examples to consider:</b></p> <p>Half yearly follow up reports are provided to the to show progress against completion of audit recommendations. The committee looks at responses from management and evaluates performance by questioning recommendation responses thoroughly.</p> <p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	4
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p><b>Examples to consider:</b></p> <p>The corporate risk register is now reviewed at each meeting and effective scrutiny of strategic risks faced by the Council takes place.</p> <p>Risk management framework reviewed bi-annually.</p> <p>The Committee examines the financial accounts and risks associated. Every report received by the Committee includes a commentary regarding risks.</p>	3
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p><b>Examples to consider:</b></p> <p>The Committee reviews and approved the risk based internal audit plan of work to ensure that coverage is sufficient. The Committee takes an active role in reviewing progress against follow up, progress against delivery of the internal audit plan, corporate risk register and External Audits plan of work.</p>	4
5. Supporting the quality of the internal audit	<p><b>Examples to consider:</b></p>	4

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
activity, particularly by underpinning its organisational independence	Internal audit plans report includes the audit charter and audit strategy which covers these areas. The Head of Internal Audit and have a direct line to the Chair of the Committee to allow confidential matters to be discussed.	
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<p><b>Examples to consider:</b></p> <p>This is achieved by reviewing the reports received by the Committee on governance risk and control and the annual governance statement, internal audit opinion. The Committee has commissioned Internal Audit work to strengthen controls which impact on the delivery of Council objectives.</p> <p><b>Recommendation:</b> To further strengthen controls which impact on the delivery of Council objectives. Responsibility: Committee. Date: March 2024</p>	4
7. Supporting the development of robust arrangements for ensuring value for money	<p><b>Examples to consider:</b></p> <p>The Committee reviews the External Audit plan of value for money and the auditing thereof. It has a key role in reviewing the statement of accounts and ensuring value for money through this report. Key role in reviewing the Annual Governance Statement (AGS) and the assurances provided therein. Committee now has authority to approve the Statement of Accounts as per the Terms of Reference, thus ensuring that value can be added by the Committee.</p> <p><b>Recommendation:</b> That the newly elected 2023/24 Audit Committee consider arrangements for ensuring value for money. Responsibility: Committee. Date: March 2024</p>	2
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<p><b>Examples to consider:</b></p> <p>Consideration of the following policies;</p> <p>Counter Fraud, Corruption and Bribery Strategy, Whistleblowing and Money Laundering Policy</p>	4

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<p><b>Examples to consider:</b></p> <p>Minutes and agenda available on the website. Public are invited to audit committee meetings.</p> <p>Open and transparent reporting is displayed.</p> <p>Officer support is provided to the Committee in terms of democratic services officers and report authors.</p> <p>Decisions made by the Committee are within their remit and as part of terms of reference.</p>	<p>5</p>

## Appendix 2 - Audit Committee Members – knowledge and skills framework

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> <li>An overview of the governance structures of the authority and decision-making processes</li> <li>Knowledge of the organisational objectives and major functions of the authority</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers</li> </ul>
Audit committee role and functions	<ul style="list-style-type: none"> <li>An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements</li> <li>Knowledge of the purpose and role of the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS</li> <li>Knowledge of the local code of governance</li> </ul>	<ul style="list-style-type: none"> <li>The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework</li> <li>The committee will plan the assurances it is to receive in order to adequately support the AGS</li> <li>The committee will review the AGS and consider how the authority is meeting the principles of good governance</li> </ul>
Internal audit	<ul style="list-style-type: none"> <li>An awareness of the key principles of the PSIAS (Public Sector Internal Audit Standards) and the LGAN (Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards)</li> <li>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards</li> <li>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards</li> </ul>

		<ul style="list-style-type: none"> <li>• In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed</li> <li>• The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan</li> </ul>
Financial management and accounting	<ul style="list-style-type: none"> <li>• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them</li> <li>• Understanding of good financial management principles</li> <li>• Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewing the financial statements prior to publication, asking questions</li> <li>• Receiving the external audit report and opinion on the financial audit</li> <li>• Reviewing both external and internal audit recommendations relating to financial management and controls</li> <li>• The audit committee should consider the role of the CFO and how this is met when reviewing the AGS</li> </ul>
External audit	<ul style="list-style-type: none"> <li>• Knowledge of the role and functions of the external auditor and who currently undertakes this role</li> <li>• Knowledge of the key reports and assurances that external audit will provide</li> <li>• Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee should meet with the external auditor regularly and receive their reports and opinions</li> <li>• Monitoring external audit recommendations and maximising benefit from audit process</li> <li>• The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• Understanding of the principles of risk management, including linkage to good governance and decision making</li> <li>• Knowledge of the risk management policy and strategy of the organisation</li> <li>• Understanding of risk governance arrangements, including the role of members and of the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>• In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</li> <li>• Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items,</li> </ul>

		<p>including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee</p> <ul style="list-style-type: none"> <li>• The committee should also review reports and action plans to develop the application of risk management practice</li> </ul>
Counter fraud	<ul style="list-style-type: none"> <li>• An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</li> <li>• Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</li> <li>• Knowledge of the organisation's arrangements for tackling fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy</li> <li>• An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment</li> </ul>
Values of good governance	<ul style="list-style-type: none"> <li>• Knowledge of the Seven Principles of Public Life</li> <li>• Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</li> <li>• Knowledge of the whistleblowing arrangements in the authority</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee member will draw on this knowledge when reviewing governance issues and the AGS</li> <li>• Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported</li> </ul>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <li>• Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>• regulatory requirements</li> <li>• treasury risks</li> <li>• the organisation's treasury management strategy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</li> </ul>

	<ul style="list-style-type: none"><li>• the organisation's policies and procedures in relation to treasury management</li></ul>	
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