



Northumberland County Council

AUDIT COMMITTEE

24 MARCH 2021

REVIEW OF AUDIT COMMITTEE ARRANGEMENTS

Report of the Acting Chief Internal Auditor

Purpose of report

The purpose of this report is to present a self-assessment of Audit Committee arrangements, following the review of Audit Committee arrangements undertaken during 2019/20, undertaken with reference to the good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Recommendations

It is recommended that the Audit Committee:

- 1) considers and endorses the latest self-assessment of our Audit Committee arrangements against the good practice guidance recommended by CIPFA, attached as Annex A;
- 2) notes the actions taken since the previous review of Audit Committee arrangements during 2019/20 to help ensure that all aspects of CIPFA's good practice can be reflected; and
- 3) agrees that the self-assessment undertaken will form the basis of an annual report from Audit Committee, which will be prepared for presentation to Cabinet, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

Link to Corporate Plan

The work of the Audit Committee contributes to the overall achievement of the Council's Corporate Plan. In particular it supports the Council in its aim to be "efficient, open and work for everyone".

Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees – Practical Guidance for Local Authorities and Police') was published in 2018. It is good practice to undertake an annual review of the effectiveness of Audit Committee arrangements.
2. An initial self-assessment of our Audit Committee arrangements, against the good practice recommended by CIPFA, was considered by Audit Committee in September 2019. The Chair of Audit Committee subsequently engaged with serving elected members of Audit Committee on an individual basis, to examine the arrangements in place for our Audit Committee. Several ideas to develop Audit Committee arrangements were discussed and agreed during that review
3. The self-assessment undertaken during March 2021 demonstrates that our Audit Committee arrangements reflect the good practice areas recommended by CIPFA. There are some identified areas for development which have been delayed during 2020/21, due primarily to circumstances relating to the pandemic, but actions planned to address these areas in early 2021/22 are detailed within the self-assessment at **Annex A**.

Implications

Policy	<p>The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate.</p> <p>The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference.</p>
Finance and value for money	<p>Through its review of a range of audit, accounting and governance related items, the Audit Committee assesses the Council's use of financial resources and value for money.</p> <p>There are no financial implications arising from the recommendations set out in this report.</p>
Legal	<p>The Public Sector Internal Audit Standards, and related Local Government Application Note, presume that local authorities will have an Audit Committee undertaking the mission identified by CIPFA in its 2018 publication "Audit Committees – Practical Guidance for Local Authorities and Police".</p>
Procurement	<p>There are no procurement implications arising directly from this report.</p>

Human Resources	There are no human resources implications arising directly from this report.
Property	There are no property implications arising directly from this report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> <input type="checkbox"/>	An equalities impact assessment is not applicable to this report.
Risk Assessment	Any risks and opportunities identified will be managed in accordance with the Authority's established risk management processes.
Crime & Disorder	There are no crime and disorder issues directly arising from this report.
Customer Consideration	There are no direct customer considerations arising from this report.
Carbon reduction	There are no carbon reduction issues directly arising from this report.
Wards	All

Consultation

The analysis against CIPFA's good practice guidance, taken from the 2018 publication "Audit Committees – Practical Guidance for Local Authorities and Police", is included in this report for consultation with current members of Audit Committee.

Background Papers

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

- (a) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2018 (P)
- (b) [Review of Audit Committee Arrangements, Report to Audit Committee, September 2019](#)
- (c) Review of Audit Committee Arrangements, Report prepared for Audit Committee, 25 March 2020
- (d) [Northumberland County Council Audit Committee Terms of Reference \(P\)](#)
- (e) [Northumberland County Council Corporate Plan 2018-21, 2018 \(P\)](#)

Reports sign off

Finance Officer	N/A
Monitoring Officer/Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Portfolio Holder(s)	N/A

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Audit Committee Arrangements: Initial Self Assessment of Good Practice (March 2021)

(taken from CIPFA, *Audit Committees, Practical Guidance for Local Authorities and Police*, published 2018)

CIPFA states that this checklist provides a high level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and the wider *Practical Guidance* publication referred to above. CIPFA states:

“Where an audit committee has a high degree of performance against the good practice principles, then 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 can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.”

Good practice questions		Yes	Partly	No	Comments
Audit Committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			Dedicated Audit Committee established as a full, politically balanced committee of Council.
2	Does the audit committee report directly to full council? (Applicable to local government only.)	✓			<p>Minutes of all Audit Committee meetings are reported to the next meeting of full Council as a matter of course.</p> <p>The Chartered Institute of Public Finance and Accountancy (CIPFA) now recommends that the Audit Committee should report regularly on its work to those charged with governance, and at least annually report an assessment of its performance. The previous review of Audit Committee arrangements, finalised in 2020, proposed that an annual report from Audit Committee is prepared for presentation to Cabinet, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.</p> <p>It is intended that an annual report from Audit Committee, for the 2020/21 year, is prepared for presentation to Cabinet.</p>

Good practice questions		Yes	Partly	No	Comments
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			<p>The Audit Committee's Terms of Reference preceded CIPFA's updated guidance in 2018 on this matter, although had a high degree of compliance with the latest published guidance.</p> <p>The previous review of Audit Committee arrangements, finalised in 2020, identified an action to update Audit Committee's Terms of Reference, reflecting CIPFA's latest Position Statement on Audit Committees in Local Government.</p> <p>Necessary amendments to Audit Committee's Terms of Reference were proposed and agreed as part of the meeting of Council in February 2021.</p>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	✓			<p>Minutes of all Audit Committee meetings are reported to the next meeting of full Council as a matter of course. Minutes of meetings are introduced by the Committee Chair and questions may be asked by any of the 67 elected members on the contents of Audit Committee minutes. Debate takes place within full Council meetings, and, for example, a referral to Audit Committee from full Council was made at its meeting on 1 May 2019.</p> <p>Audit Committee meetings held have included a range of officer attendees from across the Authority, in addition to the Cabinet Member with Portfolio for Corporate Services.</p>
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			<p>Members of Audit Committee are diligent in their reading of reports and this is reflected in debate within the Committee meeting itself. A range of appropriate and challenging questions are asked by Committee members of report authors. In addition the Annual Governance Statement is reviewed by the Committee each year.</p>

Good practice questions		Yes	Partly	No	Comments
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		<p>See question 2 above.</p> <p>The previous review of Audit Committee arrangements, finalised in 2020, proposed that an annual report from Audit Committee is prepared for presentation to Cabinet, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.</p> <p>It is intended that an annual report from Audit Committee, for the 2020/21 year, is prepared for presentation to Cabinet.</p>

Functions of the committee

7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	▪ good governance	✓			
	▪ assurance framework, including partnerships and collaboration arrangements	✓			
	▪ internal audit	✓			
	▪ external audit	✓			
	▪ financial reporting	✓			
	▪ risk management	✓			
	▪ value for money or best value	✓			
	▪ counter-fraud and corruption.	✓			
	▪ supporting the ethical framework	✓			

Good practice questions		Yes	Partly	No	Comments
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?	✓			<p>See questions 3 and 6 above.</p> <p>The detailed review led by the Chair of Audit Committee, undertaken in 2019/20, assessed these requirements specifically. The Terms of Reference for Audit Committee were subsequently amended at the meeting of Council in February 2021.</p> <p>This has been evaluated as part of this self-assessment and is also considered as part of the preparation of the work programme for Audit Committee, considered by Audit Committee in March each year.</p>
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?	✓			<p>One 'wider area' identified by CIPFA is 'Treasury Management' and Treasury Management reports form part of the Audit Committee's agreed annual work programme.</p> <p>This was considered in some detail during the Review of Audit Committee Arrangements completed in 2020, as part of which the Chair of Audit Committee engaged with serving elected members of Audit Committee on an individual basis.</p>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			<p>See questions 3 and 7 above.</p> <p>Necessary amendments to Audit Committee's Terms of Reference were proposed and agreed as part of the meeting of Council in February 2021.</p>
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?	✓			

Good practice questions		Yes	Partly	No	Comments
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include:				
	▪ separation from the executive	✓			
	▪ an appropriate mix of knowledge and skills among the membership	✓			
	▪ a size of committee that is not unwieldy	✓			
	▪ Consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).	✓			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or as appropriate for the organisation?	✓			Yes. In 2012 two independent member roles were introduced to the Audit Committee. The roles have a role definition, person specification, and qualifying criteria, which the independent members must be able to demonstrate that they fulfil. The roles were initially advertised in local publications and on the internet in 2012, and were re-advertised in a similar way in 2017 and 2019. All appointments to the roles have been made by means of competitive interview.
14	Does the chair of the committee have appropriate knowledge and skills?	✓			Meetings of Audit Committee have been chaired effectively. In accordance with specific qualities stated by CIPFA, the Committee Chair has: <ul style="list-style-type: none"> • Promoted apolitical open discussion; • Managed meetings to cover all business and encouraged a candid approach from all participants; and • Demonstrated an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime.

Good practice questions		Yes	Partly	No	Comments
15	Are arrangements in place to support the committee with briefings and training?	✓			<p>Briefings and training sessions have been provided to Audit Committee, with sessions on the Authority's final accounts process made available to all Audit Committee members.</p> <p>In addition to the elected members' induction programme, additional briefings / training will be developed as required throughout the remainder of the year in conjunction with Audit Committee and the programme of work for 2021/22.</p>
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		The latest CIPFA guidance on Audit Committees in Local Authorities (2018) includes a 'core knowledge and skills' framework' for Audit Committee members. This framework and required knowledge and skills were discussed with Audit Committee members as part of the review undertaken during 2019/20, with no issues identified.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			
18	Is adequate secretariat and administrative support to the committee provided?	✓			

Effectiveness of the committee

19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		It is intended that an annual report from Audit Committee, for the 2020/21 year, is prepared for presentation to Cabinet.
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓			

Good practice questions		Yes	Partly	No	Comments
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?	✓			Audit Committee has been attended by a range of officers, according to the content of reports presented.
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			It would not be usual for recommendations from Audit Committee to be made regularly, but this is a facility which Audit Committee has utilised when appropriate. See for example, 22 March 2019 with recommendations to Cabinet.
23	Has the committee evaluated whether and how it is adding value to the organisation?	✓			Undertaken as part of the 2019/20 review of Audit Committee arrangements.
24	Does the committee have an action plan to improve any areas of weakness?	✓			Recommended actions were identified following the review of Audit Committee arrangements undertaken during 2019/20 and progress on all actions is detailed in this report. Action plans continue to be monitored to ensure all required actions are completed.
25	Does the committee publish an annual report to account for its performance and explain its work?		✓		See above (questions 2 and 6)