



# Audit Committee Self - Assessment (CIPFA Guidance) 2024-25

**Torbay Council**

October 2024

## Introduction

Audit Committees are a key component of an authority’s governance framework. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. In CIPFA’s 2022 Position Statement, it states ‘CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.’

## Executive Summary

The self-assessment identified much alignment with the principles of CIPFA’s 2022 Position Statement. It is pleasing to note that Members felt that for the majority of principles only minor work was required, but they did highlight a few areas for the Audit Committee to address. These relate to changes to the Terms of Reference, production of an annual report, development of a training programme, undertaking regular training needs assessments, development of performance and feedback measures, and establishing an improvement plan.

The Internal Audit opinions expressed in this audit report are based upon a consultative facilitation role and it should be noted that we have not undertaken any verification activity to confirm the position set out during the self-assessment.

Areas Covered - key actions	IA Rating
<b>Audit Committee Purpose and Governance</b> - Terms of reference compliance with the 2022 CIPFA Position - Annual Report by the Committee	Reasonable
<b>Functions of the Committee</b>	Substantial
<b>Membership and Support</b> - Establishment of formal training plan - Evaluation of training needs	Limited
<b>Effectiveness of the Committee</b> - Action plan for improvement - Formal evaluation of the Audit Committee on a periodic basis - Performance measures - Feedback on performance or added value	Reasonable

## Issues for the Annual Governance Statement

We recommend that the good practices and area for enhancement in relation to the Audit Committee’s position against CIPFA’s 2022 Position Statement is reflected in the Statement.

## Acknowledgements

We would like to express our thanks and appreciation to the Audit Committee for their engagement in the self-assessment process.

## Detailed Audit Observations and Action Plan

## 1. Area: Audit Committee Purpose and Governance:

Rating

Reasonable

**Opinion Statement:**

The 2022 CIPFA Position states *'The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.'* In order to meet this requirement, the Audit Committee should have a structure of governance that supports its independence and enables oversight that is accepted and respected within the Council.

The CIPFA self-assessment for this section covers areas such as independence of the committee, reporting and escalation lines, authority, terms of reference, performance of the audit committee and annual reporting by the audit committee. The majority of areas within this section of the CIPFA self-assessment scored well.

No.	Observation and Implications	Impact / Priority	Recommendation	Committee Response
1.1	The Terms of Reference does not currently set out and describe the purpose of the Committee in accordance with CIPFA's 2022 Position Statement.	Low	The terms of reference should be updated to clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement.	
1.2	The Audit Committee doesn't currently produce and publish an annual report in accordance with the guidance i.e. to include: <ul style="list-style-type: none"> <li>○ Its compliance with the CIPFA Position Statement 2022</li> <li>○ Any results of the annual evaluation, development work undertaken and planned improvements</li> <li>○ How it has fulfilled its terms of reference and the key issues escalated in the year.</li> </ul>	Medium	The Audit Committee should publish an annual report in accordance with CIPFA's 2022 guidance.	

## 2. Area: Functions of the Committee:

Rating

Substantial

**Opinion Statement:**

The 2022 CIPFA Position states *'The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.'* Within the CIPFA Position, these are titled as 'Maintenance of governance, risk and control arrangements', 'Financial and governance reporting', and 'Establishing appropriate and effective arrangements for audit and assurance'. The CIPFA self-assessment for this section covers areas such as the terms of reference covering the core functions, consideration of the core functions by the audit committee, and access to internal and external audit. All areas within this section of the CIPFA self-assessment were scored and there are no related recommendations.

### 3. Area: Membership and Support:

Rating

Limited

#### Opinion Statement:

The 2022 CIPFA Position states 'To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre.'

CIPFA states that the characteristics of audit committee membership are a trained membership, a membership that promotes good governance principles, a strong, independently minded chair, displaying a depth of knowledge, skills, and interest, willingness to operate in an apolitical manner, unbiased attitudes, the ability to challenge the executive and senior managers, and knowledge, expertise and interest in the work of the committee.

The CIPFA self-assessment for this section covers areas such as separation / independence, knowledge and skills of members and evaluation of these, the existence of a training programme that incorporates the 2022 CIPFA Guidance, and working relationships with the chief finance officer, internal and external audit.

Approximately half of this section of the CIPFA guidance scored well with the areas for enhancement being linked to formalised, regular training incorporating the 2022 CIPFA guidance and evaluation of training requirements.

No.	Observation and Implications	Impact / Priority	Recommendation	Committee Response
3.1	<p>Committee members commented that the membership has been appointed/selected to ensure the committee knowledgeable and skilled, but that this should be supported with formalised and regular training.</p> <p>It was noted that current training did not specifically cover the 2022 CIPFA Position and related guidance for Audit Committee members, and that not all members were aware of the guidance.</p>	Medium	<p>Establish a formal training programme for Members that incorporates the 2022 CIPFA Guidance.</p>	
3.2	<p>Members noted that whilst training had been received, there was no evaluation of knowledge, skills and the training needs of the Chair and Committee members which is expected to be undertaken every 2 years in line with the CIPFA guidance.</p>	Medium	<p>Every two years, evaluate the knowledge, skills and training requirements of Members.</p>	

#### 4. Area: Effectiveness of the Committee:

Rating

Reasonable

##### Opinion Statement:

The 2022 CIPFA Position states 'The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs', and 'As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance. The committee should evaluate its impact and identify areas for improvement.'

The CIPFA self-assessment for this section covers areas such as feedback to the Audit Committee, meeting chairing, discussion and engagement, breadth of the committee's engagement across the organisation, and the evaluation of its impact on the organisation. The majority of areas within this section of the CIPFA guidance scored well. Areas for improvement were found to be in relation to feedback to the Audit Committee, evaluation of the added value the Audit Committee delivers and the need for an action plan to address areas of weakness.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
4.1	The Audit Committee does not have an action plan to ensure its development. Areas have been identified through this self-assessment which could form the basis of an initial action plan. Moving forward the plan could be monitored and revised by the Audit Committee as part of the ongoing meeting schedule.	Medium	Create an action plan for development of the Audit Committee and monitor progress against the agreed actions.	
4.2	Members advised that they had not formally evaluated how the Audit Committee adds value to the organisation.	Medium	Determine how performance of the committee can be measured and regularly review and report on performance against those measures. These measures should include the delivery of added value.	
4.3	The Audit Committee advised that it does not receive much feedback on its performance. It was noted by Members that they had not received any negative feedback.	Medium	Consider how to obtain feedback on the performance of the Audit Committee e.g. from other Committees, Overview and Scrutiny, Full Council, Officers and External Organisations interacting with the Committee.  Once established, determine how the feedback outcomes will be collated and reported to the Audit Committee.	

**Scope and Objectives**

The Internal Audit plan for 2024-25 was presented and approved by the Audit Committee in March 2024. It included an Audit Committee Self-Assessment to be based on the 2022 CIPFA document ‘Audit Committees Practical Guidance for Local Authorities and Police’.

CIPFA describe the aim of the guidance as ‘to support you in your time as an audit committee member’ and the aim of the Devon Assurance Partnership in our work was to guide Members in a self-assessment exercise covering the following question areas set out the guidance:

- Audit Committee Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

We worked through the self-assessment questions in a facilitation role. We have reported the outcomes and where applicable made recommendations to support the Audit Committee in its further development.

**Inherent Limitations**

**Important Note** - The opinions and recommendations contained within this report are based on our facilitation of the self-assessment and recording of the discussions. We have not verified the comments made, however our relationship with the Audit Committee means we have an awareness of their activities and regularly see the Audit Committee in action at committee meetings.

**Confidentiality under the National Protective Marking Scheme**

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies. This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.

<b>Marking</b>	<b>Definitions</b>
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
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**Tony Rose, Head of Partnership**  
**Jo McCormick, Deputy Head of Partnership**

## Definitions of Audit Assurance Opinion Levels

## Definition of Recommendation Priority

Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

## Devon Assurance Partnership

The Devon Assurance Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [tony.d.rose@devon.gov.uk](mailto:tony.d.rose@devon.gov.uk)