


Audit and Governance Committee - Effectiveness Review 2024
Purpose of the report:

For the Committee to review the outcome of the Committee Effectiveness Self-Assessment and agree actions and next steps.

Recommendations:

It is recommended that:

The Committee reviews the outcomes of the effectiveness self-assessment, based on the results from the following exercises:

- Self-assessment of good practice, and
- Evaluating the impact and effectiveness of the audit committee.

Introduction:

1. Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. 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.
2. The Chartered Institute of Public Finance & Accountancy (CIPFA) issued a Position Statement on Audit Committees in Local Authorities and Police in 2022 (The Position Statement). The Position Statement (attached at Annex A) was prepared in consultation with sector representatives and sets out the purpose, model, core functions and membership of an effective audit committee. The Statement sets out CIPFA's view on the principles and practice required to ensure effective audit committee arrangements which enable UK Local Government bodies to meet their statutory responsibilities.
3. Regular self-assessment is encouraged and should be used to support the planning of the audit committee's work programme and training plans. CIPFA has developed two tools to enable public bodies to assess the effectiveness of audit committees against the principles set out in the Position Statement:
 - a self-assessment of good practice, which provides a high-level review of the key principles set out in CIPFA's Position Statement, and

- an exercise to evaluate the impact and effectiveness of the audit committee, which provides a tool for the evaluation of the strengths and weakness of the committee and to identify areas for improvement.
4. This report outlines the results of the recent self-assessment exercise undertaken by Committee members and complements the Committee’s Annual Report (presented in September 2024), which provides assurance that the Committee is undertaking its role effectively to ensure that the Council’s governance, risk management, internal controls and financial reporting are effective.

Self Assessment – Summary of Results:

5. The seven Committee Members and former Independent Member were sent both exercises and all have completed and submitted their responses, which are summarised below.

CIPFA Self-assessment of good practice exercise

6. The exercise focuses on four areas (a blank template is attached as Annex B for reference):
- Audit committee purpose and governance
 - Functions of the committee
 - Membership and support
 - Effectiveness of the committee
7. Participants assess a series of questions in each of these categories and conclude whether the Committee: “Does not comply”, “Partially complies and extent of improvement needed” or “Fully complies”. For areas that fully comply there is no further improvement required. For areas that do not fully comply, an assessment is made as to whether improvements required are “Major”, “Significant”, “Moderate” or “Minor”.
8. Across all categories the majority of respondents suggested that the committee ‘fully complies,’ with a small proportion indicating moderate/minor improvements required.
9. The table below summarises the conclusions from the self-assessment, highlighting suggested areas of improvement where identified.

Area of Focus	Average Score	Identified areas for improvement
Audit committee purpose and governance	45/55	Annually review Terms of Reference as a matter of good practice at the first Committee meeting of the new financial year. The Annual Report presented at the September 2024 Committee, will reoccur on the work plan annually, reflecting on the Committee’s activities during the year, with onward presentation to Council.
Functions of the committee	53/55	None Identified
Membership and support	41/45	An evaluation of knowledge, skills and the training needs of the Chairman and Committee members to be carried out to ensure that the level of knowledge is satisfactory across the Committee membership. Using Appendix C of the 2022 CIPFA Audit

		committees: practical guidance for local authorities and police publication. The Annual Report highlights the training undertaken.
Effectiveness of the committee	45/50	The Annual Governance Statement and half-year update is presented by the Chief Executive and reviewed by the Leader. The Annual Report is presented at a meeting of the Council attended by the Corporate Leadership Team and all Members. Actions and recommendations are followed up in the Committee's tracker. Relevant Executive Directors from the Corporate Leadership Team to attend Committee meetings whenever there is a report scheduled concerning their directorate. The Annual Report to continue to provide assurance to those charged with governance on how the Committee demonstrates impact and fulfils its purpose. As noted in the Annual Report 2023/24, the Chair will work closely with the Select Committees on matters of common interest to secure good governance, exploring areas of concern collaboratively. The Committee to annually undertake a review of its effectiveness in line with CIPFA guidance, following up the agreed actions to improve areas of weakness identified.

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Total average score: 184/200

CIPFA Evaluating the impact and effectiveness of the audit committee

10. The evaluation provides examples of how the audit committee can demonstrate its impact, including key indicators of effective arrangements, in the following categories (The blank template is attached as Annex C for reference):

- Promoting the principles of good governance and their application to decision making.
- Contributing to the development of an effective control environment.
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.
- Supporting effective external audit, with a focus on high quality and timely audit work
- Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.
- Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.
- Supporting the development of robust arrangements for ensuring value for money.
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.
- Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.

11. The collated comments are included in Appendix 1. The exercise identified many strengths, demonstrating the Committee's effectiveness and positive impact on the council. The exercise also identified potential areas for improvement and suggested actions are listed below:

Identified Area of Improvement	Response/Suggested Action	Owner
Improve efficiency and timely responses to recommendations.	Directorate Leads and CLT Members have been invited to attend the Audit & Governance Committee when reports are presented relating to their areas. They are responsible for ensuring the timely response to any agreed actions.	CLT
Strengthen closer liaison with the select committees.	Committee Members have been reminded to review Select Committee agendas and to actively consider working collaboratively with Select Committees on areas of interest and focus and vice versa.	Committee Members
Ensure agreed management actions from Internal Audit findings are followed up and that Directorates and senior management focus more on ensuring these, particularly high-risk items, are implemented promptly.	All high-priority agreed actions arising from final audit reports are tracked by Internal Audit and progress against them are reported to Audit and Governance Committee as one of our Key Performance Indicators to ensure management have fully implemented them as expected. Additionally, all audits of Partial or Minimal Assurance are subject to a formal follow-up review to ensure that all agreed actions (irrespective of priority) have been implemented as expected, to improve the overall control environment.	Internal Audit
Provide the Committee with information about assessment against control frameworks and the CIPFA Code.	Committee will continue to receive Internal Audit reports on the effectiveness of the internal control environment and the conclusions of the External Audit Value for Money Assessment. CIPFA publications will be shared, as appropriate by officers and training will be offered where necessary.	Deputy Chief Executive and Executive Director of Resources; Director of Finance (Deputy s151 Officer)
Continue to evaluate effectiveness and make changes and improvements where things are not working well regarding risk management.	The Committee will continue to receive half yearly updates on the risk management framework and changes to the Corporate Risk Register.	Head of Strategic Risk

<p>Ensure more liaison between assurance providers such as Internal Audit, External Audit and Risk Management. This would streamline the process of assurance gathering and reporting.</p>	<p>The Committee meet External Audit more regularly to enable open discussion and the raising of any issues.</p>	<p>Deputy Chief Executive and Executive Director of Resources; Director of Finance (Deputy s151 Officer)</p>
<p>Proactively engage with external audit to ensure timely receipt of the External Audit Plan and the external audit is completed in a timely manner in line with deadlines.</p>	<p>As above. In addition, the External Audit Plan will be presented to the Committee annually, in advance of the commencement of the audit.</p>	<p>Deputy Chief Executive and Executive Director of Resources; Director of Finance (Deputy s151 Officer)</p>
<p>Highlight and challenge responsible owners where actions have not been implemented.</p>	<p>The action tracker will be considered at the start of each committee meeting. CLT leads will be responsible for timely responses to outstanding actions.</p>	<p>Regulatory Business Manager (Democratic Services) / CLT</p>
<p>Support the delivery of the authority's goals and objectives in line with the Annual Governance Statement.</p>	<p>Annual Governance Statement is presented to the Committee along with a half yearly update to ensure appropriate progress against agreed recommendations.</p>	<p>Chief Executive/ Leader/ Monitoring Officer</p>
<p>Ensure the Committee has sufficient time to consider financial reports - Statement of Accounts - as meeting statutory deadlines has been a challenge in recent years.</p>	<p>Training will continue to be provided to Committee in advance of the sign off of the Council's Statement of Accounts to brief on any key accounting changes and highlight key messages in the financial statements. Year-end deadlines and processes will continue to be reviewed and improved to enhance ability to meet statutory deadlines for the publication of the draft and audited accounts.</p>	<p>Deputy Chief Executive and Executive Director of Resources; Director of Finance (Deputy s151 Officer)</p>
<p>Ensure that the Committee receives ongoing learning and development opportunities to ensure continuous improvement and a comprehensive understanding of the Committee's remit i.e. Terms of Reference.</p>	<p>The Committee's Annual Report contains an update on the training undertaken each year. An induction programme is in-design for June 2025 to be delivered after the local elections, to ensure members have been trained in specific areas under the remit of the committee. External resources available will be</p>	<p>Regulatory Business Manager (Democratic Services)</p>

	highlighted to the committee, for example Local Government Association and the Chartered Institute of Finance & Accounting training courses and materials.	
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Conclusions:

12. The findings from both self-assessments demonstrate that the Committee follows good practice across many of the indicators of effective committees. The findings indicate that the audit committee has a knowledgeable membership, is soundly based and can demonstrate its effectiveness and positive impact on the Council. Several actions have been identified to further improve, as set out above.

Financial and value for money implications:

13. There are no direct financial and value for money implications of this report.

Equalities and Diversity Implications:

14. There are no direct equalities implications of this report.

Risk Management Implications:

15. There are no direct risk management implications of this report.

Legal Implications – Monitoring Officer:

16. The Accounts and Audit Regulations 2015 set out the Council’s responsibility to ensure that it has a sound system of internal control to ensure the effective operation of its functions and management including risk. This Effectiveness Review will help ensure that responsibility is met.

Next steps:

17. A progress update, against the suggested actions, will be provided to the Committee.
18. The outcome of the review will be used to inform next year’s annual report of the Committee.

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Sources/background papers:

- Council’s Constitution
- Audit committees: practical guidance for local authorities and police publication, CIPFA, 2022

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Annexes/Appendices:

- Appendix 1 – Consolidated comments
 - Annex A - CIPFA Position Statement: Audit Committees in Local Authorities 2022
 - Annex B - CIPFA Self-assessment of good practice exercise
 - Annex C - CIPFA Evaluating the impact and effectiveness of the audit committee
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Appendix 1

CIPFA Evaluating the impact and effectiveness of the audit committee

Comments from the seven Committee members and former Independent Member are listed below on the ten “Areas where the audit committee can have impact by supporting improvement”:

Promoting the principles of good governance and their application to decision making.

Strengths

- Satisfactory position - no proposed outcomes.
- The Committee appears to have a good balance of skills and experience which contributes to sensible decision making.
- There is a good understanding of the key principles and local arrangements that are refreshed annually.
- The involvement with Internal Audit is very good and I look to them as a critical friend; everyone understands governance issues and the Head of Internal Audit opinion on governance is satisfactory.
- The Forward Plan is well planned and discussed well.
- Ability to check and challenge, ask questions etc. is good.
- Refresher training prior to Committee meetings is always helpful.
- The Committee works well in this area; most arrangements are effective and operate well.
- Governance and scrutiny are constructive and are reviewed as necessary; the authority’s scrutiny arrangements are forward looking.

Potential areas for improvement

- Scrutiny arrangements are robust and forward looking but the time lag in Divisions responding to investigations is frustrating and needs to improve.
- Closer liaison with our own scrutiny committees would improve efficiency and reduce “Double Handling”.

- Continued awareness sessions on what the Committee can do is welcomed and encouraged.
- I am not aware of working with partner audit committees.

Contributing to the development of an effective control environment.

Strengths

- From a top-down perspective, the Committee encourages an effective control environment. The Committee demonstrates effective challenge which contributes to a good level of maturity.
- High level of compliance given and control frameworks are in place.
- Monitoring and implementation is active.
- Concerns are raised with senior managers. Information security and or procurement are always areas that need constant focus.
- The Committee regularly challenges the Head of Audit and other control teams of the council.
- Recommendations from auditors are considered and implemented.
- Significant concerns are raised and questioned by Committee.

Potential areas for improvement

- Where we have recommendations from Internal Audit these have to be followed through and implemented. High risk items come to the Committee and it would be good to see directorates and senior management providing more focus on getting these items implemented promptly.
- This is a subject that needs continual re-visiting as evidence exists that in certain Divisions the outcomes are not demonstrating that the ownership is as robust as it should be.
- Assessment against CIPFA Code would be useful.
- Perhaps more information about assessment against control frameworks would be helpful.

Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.

Strengths

- Sound risk management and governance in place.
- The Committee has a central role to play in regard to Risk Management arrangements. From reviewing prior committees, it appears this is successful.
- The Risk Management process is evidently robust and is proving its worth year over year as more officers are exposed to the system.

- The Committee regularly review risk management and offers suggestions for improvement.
- Risk management is now dealt with effectively by the Committee as a consequence of recent changes.
- Very good risk management process and assurance given by Internal Audit.

Potential areas for improvement

- A continuous improvement approach to risk management is welcomed. We must continue to evaluate effectiveness and make changes and improvements where things are not working well.

Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.

Strengths

- Appropriate frameworks in place.
- Comfort is obtained from regular Committee review of the Internal Audit framework and ongoing work.
- Good leadership team is in place. The authority's leadership team have a well-defined and appropriate framework of assurance both with the audit and scrutiny committees.
- The reporting and review processes are robust.
- The Committee has agreed a defined framework of assurance; assurance arrangements now work well.

Potential areas for improvement

- More liaison between these bodies would streamline the process.
- Having reports come to the Committee in a timely manner before decisions are implemented are key. Recent external audit plans were rejected but work was already in flow. Not ideal and puts Committee members and its purpose into question.
- The effectiveness of Internal and External auditors is questioned although there might be room on occasions for some more detailed consideration.

Supporting effective external audit, with a focus on high quality and timely audit work.

Strengths

- The Committee reviews the work conducted by external audit and reviews the arrangements in place. Challenge is given to external audit and over the quality of work.
- The Committee regularly examines external audit.

- Audit recommendations are supported and questioned where appropriate.
- Good high quality audit.
- The quality of liaison between external audit and the authority is satisfactory.

Potential areas for improvement

- With a new audit company it is especially important that the relationship is established in a way that leaves no doubt what the expectations are from the Committee.
- External auditor plans and completion of annual audits need to be more timely! Deadlines with audit plan not always met.
- Good quality audit delivered but not always within deadlines.
- External audit plans not complete, additional engagement is required and further discussion is welcomed before major reports come anywhere near Committee.

Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.

Strengths

- Sound Internal Auditor (IA) in place.
- Consistent challenge given to Internal Audit work including the annual IA plan and report. Ongoing dialogue maintained with IA.
- There is no concern in my mind that the IA function is delivering a quality service and that there are no threats to its independence.
- Very happy with IA, pragmatic can do approach that is open to check and challenge and ultimately change. I see the Committee working collaboratively with IA as a critical friend and will actively support wherever possible in their role and purpose.
- The Committee regularly examines the IA processes to ensure they are in accordance with the principles of CIPFA.
- Internal Audit is supported with appropriate challenges when necessary.
- Internal Audit is in conformance with Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.
- 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).

Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.

Strengths

- Ongoing review of goals assessed via the Committee and understanding of organisational objectives and how they align to the role of the Committee.
- The reports that the Committee receive indicate that good and appropriate arrangements are in place.
- Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.
- The authority's arrangements to review and assess performance are satisfactory.

Potential areas for improvement

- Cross reference plans and actions points actively calling out where points have not been actioned. Greater highlight on responsible actions and persons/functions responsible. Pointless having actions if they are ignored or not given sufficient weight to implement them.
- The Committee could do more to ensure that the authority's goals and objectives are delivered and has a plan to do so.
- The Committee rarely reviews major projects and programmes and perhaps should seek to do this more often.

Supporting the development of robust arrangements for ensuring value for money.

Strengths

- Satisfactory arrangements in place.
- Value for Money (VfM) is assessed as part of the Committee and is a central consideration of external audit work.
- The Committee regularly challenges finance teams on robust VfM arrangements.
- Assessments of arrangements to support best value are implemented effectively.
- VfM audit carried out and overall satisfactory rating given.

Potential areas for improvement

- Thorough examination of external audit plans and goals based on risk review is key. Would like to see this earlier as plans have come to the Committee very late and where work has already started without approval or recommendation from the Committee which renders the Committee pointless!
- The external auditor needs to be more timely in their work!

- This is an area in which work could be expanded.

Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

Strengths

- Sound arrangements exist for counter fraud and culture of organisation.
- Good balance of skills and experience in the Committee to ensure values are maintained.
- The reports the Committee receive indicate a very high level of compliance to good governance practices.
- In my opinion, the members of the Committee and officers have good ethical standards.
- Ethical standards are considered and reviewed effectively and regularly.
- Good ethical standards are maintained by both elected representatives and officers.

Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.

Strengths

- Good arrangements in place within the authority; effective reporting is promoted and underpinned by the Committee. Regular communication with conducting officers and stakeholders to ensure transparency and accountability encourages and demonstrable.
- Communications with partner organisations continue to improve particularly with the community.
- Improved review of plans targets actions to ensure transparency and accountability.
- The Committee published an Annual Report which is forwarded to Council.
- The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.
- The external auditor completed the audit of the financial statements with non-material adjustments.
- The authority has published its financial statements and Annual Governance Statement (AGS) in accordance with statutory guidelines.
- The AGS is underpinned by a robust evaluation and is an accurate assessment of governance arrangements.

Potential areas for improvement

- The external auditor needs to be more timely in completing their audits.

- If resource issues exist that means work is not being progressed these need to be called out clearly and a plan to address formulated.
- Annual report of the Committee needs to be introduced (received by the Committee in September 2024).
- Meeting statutory deadlines for financial reporting has been a problem, especially providing sufficient time for full Committee consideration.
- Perhaps more time for considering partnership organisations would be valuable?

Comments on the “Overall Questions to Consider”:

Does the committee proactively seek assurance over the key indicators?

Strengths

- Yes, as far as I am aware. The Committee actively seeks assurance and input/context around the achievement of key indicators.
- The Committee does proactively seek assurance that the Key Performance Indicators (KPIs) are followed.
- I believe the Committee is very committed to proactively seek assurance and is well chaired and managed. We actively challenge and chase for updates on actions and question key indicators.

How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?

Strengths

- The Committee is proactive in responding to aspects of governance, risk and controls issues including for the need to change. A positive dialogue is maintained with the conducting officers and those involved at the Committee also.
- Generally speaking, asking for changes of officers etc. is received well and a positive response is usually received.
- From a risk perspective, all Committee members have been through risk training which explains the risk management approach adopted in SCC. The Committee provide challenge where appropriate. Risk management has now received a substantial assurance rating. Risks also receive deep dives which is undertaken through Informal Cabinet.

Potential areas for improvement

- Regarding responding to aspects of governance, this could improve with continuous education and awareness of the terms of reference and what the Committee can or cannot do.

Are recommendations from the committee taken seriously by those responsible for taking action?

Strengths

- Yes – actions are tracked and follow up activities dealt with timely. There is a good audit trail which can be used to demonstrate this.
- Yes. All recommendations from previous audits have been completed and updates provided to the Committee to provide assurance.
- Yes they are and responsible officers address the Committee if required.

Potential areas for improvement

- I regret to say that I have formed the opinion that in certain divisions the scrutiny of the Committee has not had the desired effect in the improvement in outcome as evidenced by the ever increasing findings against the council by the Ombudsman.
- As for recommendations being taken seriously my concern with recent external audit plans have come late to the Committee with works already started and progressing without the approval of the Committee. It begs a question of the purpose of the Committee if these works are started ahead of review check challenge at the Committee. I have referenced this above and we would need these items to come to Committee well ahead of works starting or accepting that the Committee can stop the works and the organisation then has to understand the impact of that decision.