

APPENDIX 2

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. 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 annual report.

| Good practice questions | Does not comply | Partially complies and extent of improvement needed* | | | Fully complies |
|-------------------------|-------------------|--|----------------------|-------------------|------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |

Audit committee purpose and governance

- 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 the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the 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 committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

| Good practice questions | | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|-----------------------------------|---|-------------------|---|----------------------|-------------------|------------------------|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | | 0 | 1 | 2 | 3 | 5 |
| 8 | Does the committee publish an annual report in accordance with the 2022 guidance, including: | | | | | |
| | <ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 | | | | | |
| | <ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements | | | | | |
| | <ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? | | | | | |
| Functions of the committee | | | | | | |
| 9 | Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? | | | | | |
| | Governance arrangements | | | | | |
| | Risk management arrangements | | | | | |
| | Internal control arrangements, including: | | | | | |
| | <ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption | | | | | |
| | Annual governance statement | | | | | |
| | Financial reporting | | | | | |
| | Assurance framework | | | | | |
| | Internal audit | | | | | |
| | External audit | | | | | |
| 10 | Over the last year, has adequate consideration been given to all core areas? | | | | | |
| 11 | Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance? | | | | | |
| 12 | Has the committee met privately with the external auditors and head of internal audit in the last year? | | | | | |

| Good practice questions | Does not comply | | | | | Fully complies |
|-------------------------|-------------------|-------------------------|----------------------|-------------------|------------------------|----------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 | |

Membership and support

| | | | | | | |
|--|--|--|--|--|--|--|
| 13 Has the committee been established in accordance with the 2022 guidance as follows? | | | | | | |
| <ul style="list-style-type: none"> • Separation from executive | | | | | | |
| <ul style="list-style-type: none"> • A size that is not unwieldy and avoids use of substitutes | | | | | | |
| <ul style="list-style-type: none"> • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation | | | | | | |
| 14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled? | | | | | | |
| 15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years? | | | | | | |
| 16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance? | | | | | | |
| 17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance? | | | | | | |
| 18 Is adequate secretariat and administrative support provided to the committee? | | | | | | |
| 19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO? | | | | | | |

Effectiveness of the committee

| | | | | | | |
|--|--|--|--|--|--|--|
| 20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work? | | | | | | |
| 21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement? | | | | | | |
| 22 Are meetings effective with a good level of discussion and engagement from all the members? | | | | | | |
| 23 Has the committee maintained a non-political approach to discussions throughout? | | | | | | |

| Good practice questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|---|-------------------|---|----------------------|-------------------|------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |
| 24 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? | | | | | |
| 25 Does the committee make recommendations for the improvement of governance, risk and control arrangements? | | | | | |
| 26 Do audit committee recommendations have traction with those in leadership roles? | | | | | |
| 27 Has the committee evaluated whether and how it is adding value to the organisation? | | | | | |
| 28 Does the committee have an action plan to improve any areas of weakness? | | | | | |
| 29 Has this assessment been undertaken collaboratively with the audit committee members? | | | | | |
| Subtotal score | | | | | |
| Total score | | | | | |
| Maximum possible score | | | | | 200** |

Our overall assessment of the CIPFA Guidance for Audit Committees is partial compliance with moderate improvement needed. Evidence to support our subjective conclusion for each of the questions is detailed over the next few pages as a description and can be cross referenced to the questions above.

Audit committee purpose and governance

Audit Committees are key in an authority's governance framework, providing an independent and high-level focus on the adequacy of governance, risk and control arrangements and giving greater confidence to those charged with governance i.e., full Council that the arrangements are effective.

Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?

- 1 There is a dedicated Audit and Governance Committee, with the scrutiny and overview roles carried out by Standing Committees, as detailed in their terms of reference. There is a separate Standards Committee.

Does the audit committee report directly to the governing body?

- 2 The Committee does not have a formal reporting line and does not report (regularly) to either Council or Policy Committee.

Has the committee maintained its advisory role by not taking on any decision-making powers?

- 3 The Audit and Governance Committee does have some decision-making powers. As detailed within its current terms of reference, it has delegated responsibility from Council to approve the annual statement of accounts. However, CIPFA's guidance indicates that the Audit Committee should remain an advisory committee and does not recommend that it be delegated decision-making powers such as the approval of the financial statements, which ultimately are the responsibility of all those charged with governance i.e., full Council.

Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?

- 4 Generally, the current terms of reference for the Audit and Governance Committee set out the purpose of the Committee in accordance with CIPFA's Position Statement, although there is not a specific section on the purpose of the committee contained within the existing terms of reference.

Do all those charged with governance and in a leadership role have a good understanding of the role and purpose of the committee?

- 5 Senior Officers (CMT) and Lead Members understand the role and purpose of the Audit and Governance Committee. Members' induction training includes a section on the Council's constitution and committee structure. Training provided by Internal Audit to A&G Committee members in 2022 included a section on the role of the Audit Committee.

Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?

- 6 Where a nil assurance internal audit report was received by the Committee as part of the Chief Auditor's quarterly update report, both the Executive Director of Social Care and the Deputy Director of Commissioning and Transformation attended the meeting to answer members' questions and provide details of progress on implementing recommendations. The Committee also verbalised their ability to call managers and Executive Directors to meetings to explain any non-implementation or delays in the implementation of audit recommendations, although this option had not been taken up within the last year.

Does the governing body hold the audit committee to account for its performance at least annually?

- 7 As noted previously, there is no formalised reporting line between the Committee and full Council.

Does the committee publish an annual report in accordance with the 2022 guidance including:

- a) compliance with the CIPFA Position Statement 2022***
b) results of an annual evaluation, development work undertaken and planned improvements
c) how it has fulfilled its terms of reference and the key issues escalated in the year

8

There is no formal, annual report published by the Committee at present to include details of compliance with the CIPFA Position Statement, results of an annual evaluation (not currently undertaken), development work undertaken and planned improvements or how it has fulfilled its terms of reference and key issues escalated during the year.

Functions of the committee

The audit committee's core functions are to provide oversight of a range of governance and accountability arrangements, responses to recommendations of assurance providers and help ensure robust arrangements are maintained.

Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement, as follows:

- a. governance arrangements***
b. risk management arrangements
c. internal control arrangements
d. Annual Governance Statement (AGS)
e. financial reporting
f. assurance framework
g. internal audit
h. external audit

9

Generally, the A&G Committee's terms of reference (TORs) address the core areas identified in CIPFA's Position Statement. However, they would benefit from some updating, to include increased emphasis in some areas and inclusion of some additional areas. Possible areas for increased emphasis include organisational risk profile, value for money and an oversight role on fraud and anti-corruption, broadening the reference to internal controls beyond annually considering them as part of the AGS, financial management beyond focusing on the financial statements and linked to CIPFA's financial management code, specifically detailing review of the governance and assurance arrangements for significant partnerships/collaborations and considering the assurance framework and assessing whether it adequately addressed Council's risks and priorities

Over the last year, has adequate consideration been given to all core areas?

A significant amount of committee time has been spent on finance, financial management, the financial statements, financial performance, treasury management and associated areas in the last three years. It might be beneficial to give consideration as to whether it is appropriate for some areas contained within the CIPFA Position Statement and associated TORs to have either more or less focus going forward. Some suggestions for areas of increased focus include:

- 10
- Corporate governance including governance and assurance arrangements for significant partnerships or collaborations and ethics
 - arrangements to secure value for money
 - review the assessment of fraud risks (as part of risk management) and monitor the counter-fraud strategy, actions and resources including whistleblowing
 - consideration of the council's assurance framework and whether there were arrangements in place to secure adequate assurance across the Council's operations, that it adequately addressed the Council's risks and priorities as well as the effectiveness of relationships between external audit, internal audit and other inspection agencies or relevant bodies.

Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?

- 11 Generally, the A&G Committee has only considered items that aligned with its core and wider functions for example treasury management. However, it was noted that it regularly receives financial performance and monitoring reports that have already been received and considered by Policy Committee and also receives the annual financial statements for approval (as currently detailed in its terms of reference as a delegated power granted by Council). As detailed in Q3 above, CIPFA's guidance indicates that the Audit Committee should remain an advisory committee and does not recommend that it be delegated decision-making powers such as the approval of the financial statements, which ultimately is the responsibility of all those charged with governance i.e., full Council.

Has the committee met privately with the external auditors and the Head of Internal Auditor in the last year?

- 12 The Chief Auditor usually meets privately with the committee chair on a quarterly basis. External Audit also has the option of private meetings as and when required.

Membership and support

Committee members need to be of high calibre to provide the required level of expertise and understanding and have an appropriate level of influence within the authority. Selection should include consideration of aptitude in addition to relevant knowledge, skills and experience.

Has the committee been established in accordance with the 2022 guidance as follows:

- a. separation from the executive***
- b. a size that is not unwieldy and avoids the use of substitutes***
- c. Inclusion of lay/co-opted independent members in accordance with legislation or CIPFAs recommendation***

- 13 Reading Borough Council operates a Committee system rather than an executive form of governance. Since adopting the Committee system, the Council has continued to appoint a Leader, Deputy Leader and eight other Lead Councillors. The retention of Lead Councillors means there has been a departure from the 'traditional' committee system to what Reading Borough Council describes as a hybrid model of governance. These ten Lead Councillors do not have any executive powers which can be exercised individually or collectively. However, they are all members of the Policy Committee, which is the main decision-making body of the Council. In accordance with the proportionality rules required by the committee system, there are also five councillors on the Policy Committee who are not members of the controlling political group. There is not a directly elected executive Mayor for Reading.

The CIPFA guidance details that authorities should try to ensure that their audit committee is no more than eight members. The A&G Committee currently has eight members so falls within this, although it was noted that this is without independent members. A substitute was used at one meeting in 2020.

There are currently no lay/co-opted independent members on the committee, although it is noted that the Constitution does allow for people to be appointed as co-opted onto committees as long as they do not have any voting rights on the committee.

Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

- 14 No assessment is made on this area without input from Committee members, so an average rating of moderate improvement was assumed.

Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last 2 years?

15

No evidence was found of an evaluation of knowledge, skills and training needs of the A&G Chair and committee members being carried out within the last two years.

Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

16

Although A&G Members have been offered a range of training sessions focusing on specific areas within the last year, this has not been held on a regular basis. Audit Committee members should have regular, ongoing training and support to enable them to fulfil their role on the Committee. Training should cover all key areas as identified in the CIPFA guidance, including good governance and ethical framework, partnerships and collaborations, the Annual Governance Statement, targeted support for members where required, updates on new developments/changes at the authority, in addition to updates /refreshers on areas such as risk management, internal controls, financial management, counter fraud and corruption, assurance framework and treasury management.

Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

17

No assessment is made on this area without input from Committee members.

Is adequate secretariat and administrative support provided to the committee?

18

Secretarial and administrative support is provided to the Committee by the Committee Services Team. There are standing agenda items to be considered and a bring-forward list detailing reports due to be received at forthcoming meetings; senior Officers and the A&G Committee chair and members are asked for their input on the agenda.

The committee ordinarily meets four times per financial year; the only recent exception to this was in 2020/21 when the April 2020 meeting was cancelled due to the onset of the coronavirus pandemic.

Where agenda enclosures or items are restricted, it is stated why they are restricted. There is a provision at the start of the committee meeting for questions from the public, restricted to one agenda item per person. Meetings are also recorded and available on the Council's website after the meeting.

Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

19

Representatives from external audit and internal audit (Chief Auditor) attend every meeting, together with a senior Finance and a senior Information Governance representative (usually the Director of Finance and Assistant Director of Legal and Democratic Services) and a CIPFA representative in relation to the Finance Transformation Programme. Other Officers (for example the Executive Director of Social Care and Health, the Health and Safety Lead and the Revenues and Benefits Manager) have attended on an ad hoc basis as appropriate.

Effectiveness of the committee

The Audit Committee is an advisory committee that should have sufficient standing within the authority so that its recommendations and opinions carry weight and have influence with the leadership team i.e., CMT, and those charged with governance i.e., full council, and effectively perform its role.

| | |
|----|---|
| 20 | <p><i>Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?</i></p> <p>No assessment is made on this area without input from Committee members, so an average rating of moderate improvement was assumed.</p> |
| 21 | <p><i>Are meetings well chaired, ensuring key items are addressed with a focus on improvement?</i></p> <p>It should be noted that only a limited assessment has been able to be made in relation to this as the committee chair changed after the 2022 elections, so at the time of our assessment the current incumbent had only been in post for two meetings. However, a review of recordings of the two meetings to date identified that the meetings have been well chaired. There has been clarification about public speaking in meetings and it was also highlighted that the meeting was non-political. The chair kept the public question on track, highlighted the roles and responsibilities of the committee, opened each agenda item to questions and queries, and often had questions or queries of his own.</p> |
| 22 | <p><i>Are meetings effective with a good level of discussion and engagement from all the members?</i></p> <p>Review of recordings of the last four committee meetings identified that generally there had been discussion/questions/queries on items; however, questions predominately emanate from the chair.</p> |
| 23 | <p><i>Has the committee maintained a non-political approach to discussions throughout?</i></p> <p>No evidence was observed from the meeting recordings reviewed that a political approach to discussions has been taken.</p> |
| 24 | <p><i>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?</i></p> <p>The Chief Auditor, representatives from external audit, finance, information governance, CIPFA and the Director of Resources/Deputy Chief Executive are involved regularly in meetings to discuss audit findings, risks and actions. There has been less recent, direct engagement with service managers, Assistant Directors and Executive Directors in relation to audit findings, although the Executive Director of Social Care & Health and the Deputy Director of Commissioning and Transformation had attended a committee meeting to discuss the findings from payments to care providers and voluntary sector payments audits and the interim Assistant Director of Finance had attended a meeting to address findings from finance-focused audits.</p> |
| 25 | <p><i>Does the committee make recommendations for the improvement of governance, risk and control arrangements?</i></p> <p>It was noted that whilst this is within the committee's remit, it does not currently exercise this function.</p> |
| 26 | <p><i>Do audit committee recommendations have traction with those in leadership roles?</i></p> <p>It was identified that where the committee requests that a director attends a meeting to answer questions and queries on a specific area, this takes place. An example of this was when the Executive Director of Social Care & Health and the Deputy Director of Commissioning and Transformation attended a committee meeting to discuss the findings from payments to care providers and voluntary sector payments audits after a no assurance opinion had been given by internal audit. There appears to be a good relationship between the committee and officers, with a variety of key officers attending meetings on a regular basis</p> |

Has the committee evaluated whether and how it is adding value to the organisation?

- 27 The committee has not evaluated its performance at present including whether it added value to the organisation.

Does the committee have an action plan to improve any areas of weakness?

- 28 As no evaluation of committee performance has been conducted to identify possible areas for improvement, no action plan is currently in place.

Has this assessment been undertaken collaboratively with audit committee members?

- 29 At this stage, the assessment has been undertaken by internal audit, although it is proposed that audit committee members are involved and take ownership of the assessment, review and action plan going forward.
-

APPENDIX 2