

GMCA Audit Committee

Date: 15 March 2023

Subject: Audit Committee Effectiveness – Self Assessment Results

Report of: Sarah Horseman – Deputy Director, Audit & Assurance

PURPOSE OF REPORT

This report sets the results of the self-assessment of Audit Committee effectiveness undertaken by Members and regular attendees of the Audit. The survey is based on guidance issued by CIPFA in the recently published “The Audit Committee Member in a Local Authority” guidance.

RECOMMENDATIONS:

Members are requested to agree any areas of development to further improve the effectiveness of the Committee.

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Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

BACKGROUND PAPERS:

N/A

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

1 INTRODUCTION

In October 2022, CIPFA issued revised guidance for Audit Committee Members, entitled “The Audit Committee Member in a Local Authority”. This guidance explains the purpose of the Audit Committee, core functions, additional functions, independence and accountability considerations and guidance around membership and effectiveness.

Within the guidance, CIPFA recommends that an annual effectiveness review of Audit Committees is undertaken with the results being reflected in any annual report produced by the Committee.

It was agreed at the previous Audit Committee meeting on 25th January 2023 that Members and regular attendees of the Committee would complete an on-line self-assessment questionnaire based on the CIPFA suggested framework.

That exercise has been completed, with five responses to the questionnaire received. Appendix 1 shows the results for each question but the main body of this paper summarises the results of the survey and some proposed actions for consideration by Members.

2 SUMMARY RESULTS

Overall those who completed the survey provided an average score of 150/200 in terms of effectiveness of the Committee. The survey is split into three sections which are each considered below.

2.1 Audit Committee purpose and governance

Overall this section of the survey scored 35.4/50 (71%). Responses were strong in relation to the composition, purpose and positioning of the Committee (questions 1-4). Scores were not as strong in relation to the governing body (GMCA) holding the

Committee to account for its performance and escalation of issues and concerns from Audit Committee to the governing body (questions 5-7)

Scores were also lower for question 8 which related to the publication of an annual report in accordance with the 2022 CIPFA Guidance. An excerpt from the guidance in relation to audit committee reporting is provided below:

The audit committee annual report

The committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact. This is a key output of the committee. The report should be publicly available, supporting the authority's accountability to wider stakeholders, including the public.

Suggested content for the report is set out below.

Alignment of the committee to recommended practice

- The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:
 - The size of the committee.
 - Structure and composition, including the number of independent members.
 - Reporting line and independence from other committees.
 - Whether its terms of reference include all the core functions of the committee.
- Results of the committee's annual evaluation of its effectiveness and assurance over key indicators should be reported. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.
- The report should summarise how it has fulfilled its terms of reference and the key issues escalated to the leadership team or other committees during the year.
- The report should summarise the development work that will support the committee members, eg training.

The annual report should be timed to support the annual review of governance and preparation of the AGS. This enables the committee to take stock of the assurances it has received and the extent to which its own performance has contributed to governance arrangements.

The Audit Committee has not historically produced an Annual Report and this therefore could be an area for development for the Committee.

2.2 Functions of the Committee

This section of the survey scored on average 79.85 out of a possible 100 points (79.85%). There were 11 questions relating to functions of the Committee and most scored over 3.8/5. Exceptions to this were:

- a) Question 9 in relation to whether the Committee's terms of reference explicitly addresses all the core areas identified in CIPFA's position statement scored 3.2/5 for the part that asked about the assurance framework. This is not entirely unexpected as assurance mapping is an area for development for GMCA identified in the Internal Audit Development plan as there isn't a formally documented assurance framework in place (although this is the responsibility of management, not Internal Audit). CIPFA is due to issue guidance around assurance frameworks and assurance mapping, it is therefore recommended that Internal Audit provide an update on that guidance to the Committee as soon as it is issued along with a proposal of how to develop the framework within GMCA and assist the Audit Committee in fulfilling its responsibilities in line with the CIPFA guidance.

- b) Question 11 asked "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?" The average score in response to this was 3.4.

The wider functions set out in the guidance are:

- Treasury Management (which is considered by the Audit Committee)
- Supporting Corporate Improvement Programmes
- Considering matters at the request of Statutory Officers or other Committees

The latter two points have not been undertaken by the Committee but that is not to say they wouldn't be if requested. The guidance provides some indication of the

expectation of members in relation to raising awareness of the committee's work which may lead to requests for additional activities.

The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the influence of the committee is likely to grow. CIPFA has produced a set of frequently asked questions about the work of the committee that helps communicate its role and the value it brings.

- c) Questions 15 and 16 relate to the evaluation of skills of the Committee and training and support mechanisms for members, scoring 2.25 and 2.8 respectively. The section of the guidance that relates to these questions states:

Training and development

Audit committees should have access to support to guide them in their roles, help them to understand the key agenda items, and to keep them informed of new developments. Guiding the audit committee includes a suggested training and support programme.

New co-opted members may have technical knowledge and experience, but they will still need to understand the local government context with which they may not be familiar. Support should also be provided to help integrate them into the committee and familiarise them with the council's structure and processes.

Audit committee members should review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.

An action for GMCA Officers is therefore to ensure comprehensive training and support arrangements are in place for Members. In addition, a periodic review of the skills of the Committee should be undertaken.

2.3 Effectiveness of the Committee

This section of the survey scored lowest of the three sections, with a score of 34.4/50 (69%). Questions regarding the quality of chairing, level of discussion in the meetings and maintenance of a non-political approach to discussions all scored very highly however.

The areas with the lower scores were:

- a) Q20 - Feedback on the performance of the Committee from those interacting with the Committee or relying on its work (2/5)
- b) Q24 - Engagement with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with responsible officers (3/5)
- c) Q26 - Audit actions having traction with those in leadership roles (2.6/5)
- d) Q27 - Whether the Committee has evaluated whether and how it is adding value to GMCA (2.4/5)
- e) Q28 - Development of an action plan to improve areas of weakness (2/5)

In relation to questions 20, 24 and 25, these relate to engagement between the Audit Committee and officers and the development of those relationships. Audit Committee members are requested to consider this point and how they may want to address/improve this area.

Questions 27 and 28 relate to the ongoing evaluation of Committee effectiveness. This exercise should hopefully be a good initial assessment, which can drive an action plan to improve where necessary. It is an exercise, that as the guidance suggests, should be repeated annually.

3 PROPOSED AUDIT COMMITTEE DEVELOPMENT PLAN

From the survey results, the following recommendations have been developed for consideration and approval by the Committee.

#	Recommendation	Responsible	Date
1	<p>Audit Committee Annual report</p> <p>a) The Audit Committee will produce an annual report. The content being in line with CIPFA guidance</p> <p>b) GMCA Governance team will build the annual report into the forward plan for the Committee and provide support to the Chair in the development of the annual report.</p>	<p>Chair, Audit Committee</p> <p>GMCA Governance Team</p>	<p>Q1 2023/24 for 2022/23</p> <p>Q1 2023/24</p>
2	<p>Assurance mapping</p> <p>Internal Audit to propose how the GMCA Assurance Framework and Assurance Mapping will be developed based on CIPFA guidance when it is issued</p>	<p>Deputy Director, Audit and Assurance</p>	<p>Q2 2023/24</p>
3	<p>Wider functions of the Committee</p> <p>In setting its work programme, to the extent wider functions are not already undertaken, the Audit Committee will consider any requirement or opportunity to schedule in work outside of their core functions.</p>	<p>Chair, Audit Committee</p>	<p>Q1 2023/24</p>

4	<p>Audit Committee skills evaluation</p> <p>On a regular basis, and particularly when new members of the Committee are due to be appointed, a skills assessment will be undertaken based on the skills identified in the CIPFA guidance which will be used to inform the recruitment/nomination process and drive the training agenda.</p>	GMCA Governance Team	2023/24
5	<p>Training and Support</p> <p>GMCA will develop a comprehensive training and support programme for Audit Committee members to ensure they are provided with the appropriate knowledge and awareness of GMCA structures, activities and priorities.</p>	GMCA Governance Team	Q1-2 2023/24
6	<p>Engagement between Audit Committee and Officers</p> <p>Consideration be given to how engagement with Officers can be broadened.</p>	TBC	TBC
7	<p>Audit Committee Effectiveness reviews</p> <p>The Audit Committee will repeat this assessment of effectiveness on an annual basis, leading to the development of an action plan that will address any areas of improvement.</p>	GMCA Governance Team	Q4 2023/24 and annually thereafter.

APPENDIX 1 - DETAILED SURVEY RESULTS

#	Question	Response					Average Score
		1	2	3	4	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)?	5	5	5	5	5	5
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	5	3	3	3	3	3.4
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	3	5	5	5	5	4.6
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	5	3	5	5	5	4.6
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	3	5	3	3	3	3.4
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	5	5	2	5	3	4
7	Does the governing body hold the audit committee to account for its performance at least annually?	2	3	1	3	2	2.2
8	Does the committee publish an annual report in accordance with the 2022 guidance, including: - compliance with the CIPFA Position Statement 2022	3	5	1	5	1	3
	- results of the annual evaluation, development work undertaken and planned improvements	3	5	1	3	1	2.6
	- how it has fulfilled its terms of reference and the key issues escalated in the year?	3	5	1	3	1	2.6
Sub total		37	44	27	40	29	35.4
out of a possible		50	50	50	50	50	50

#	Question	Response					Average Score
		1	2	3	4	5	
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	5	3	3	3	5	3.8
	- Risk management arrangements	5	3	3	3	5	3.8
	- Internal control arrangements, including:						
	• financial management						
	• value for money						
	• ethics and standards						
	• counter fraud and corruption	5	3	3	3	5	3.8
	Annual governance statement	5	5	3	3	5	4.2
	Financial reporting	5	5	3	3	5	4.2
	Assurance framework	3	3	2	3	5	3.2
	Internal audit	5	3	3	3	5	3.8
	External audit	5	5	3	5	5	4.6
10	Over the last year, has adequate consideration been given to all core areas?	5	5	3	3	3	3.8
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?	3	3	3	3	5	3.4
12	Has the committee met privately with the external auditors and head of internal audit in the last year?	5	5	5	5	5	5
13	Has the committee been established in accordance with the 2022 guidance as follows :						
	- Separation from executive?	5	5	5	5	5	5
	- A size that is not unwieldy and avoids use of substitutes?	5	3	5	3	5	4.2
	- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation?	5	5	5	5	5	5
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	5	5	5	3	5	4.6
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?	2	3	2		2	2.25
16	Have regular training and support arrangements been put in place	3	3	2	3	3	2.8

#	Question	Response					Average Score
		1	2	3	4	5	
	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?	5	3	2	3	5	3.6
18	Is adequate secretariat and administrative support provided to the committee?	5	5	3	3	5	4.2
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	5	5	3	5	5	4.6
Sub total		91	80	66	67	93	79.85
out of a possible		100	100	100	100	100	100

#	Question	Response					Average Score
		1	2	3	4	5	
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?	3	2	2	3	0	2
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	5	5	5	5	5	5
22	Are meetings effective with a good level of discussion and engagement from all the members?	5	5	5	5	5	5
23	Has the committee maintained a non-political approach to discussions throughout?	5	5	3	5	5	4.6
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?	5	2	2	3	3	3
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	5	5	2	3	5	4
26	Do audit committee recommendations have traction with those in leadership roles?	3	2	2	3	3	2.6
27	Has the committee evaluated whether and how it is adding value to the organisation?	3	2	2	3	2	2.4

#	Question	Response					Average Score
		1	2	3	4	5	
28	Does the committee have an action plan to improve any areas of weakness?	3	2	1	2	2	2
29	Has this assessment been undertaken collaboratively with the audit committee members?	5	2	5	2	5	3.8
Sub total		42	32	29	34	35	34.4
out of a possible		50	50	50	50	50	50

Grand total	170	156	122	141	157	149.65
out of a possible	200	200	200	200	200	200

% Effective 85% 78% 61% 71% 79% **75%**