

## Appendix 1

### Somerset Council - Compliance with the CIPFA Position Statement - to support Audit Committee Annual Report for 2023-24

The CIPFA Position Statement sets out the purpose of an Audit Committee which is:

*“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. In a local authority the Full Council is the body charged with governance. The Audit Committee may be delegated some governance responsibilities but will be accountable to Full Council. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability”*

In order to deliver its purpose CIPFA set out a number of criteria which Audit Committees should deliver. The assessment of Somerset Council’s Audit Committee performance against the core functions in the Position Statement is set out in the following table:

CIPFA Position Statement	Somerset Council Position
<b>Maintenance of governance, risk and control arrangements</b>	
Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.	<p>The Committee received a report in December 2023 providing an overview of governance within local government including the assurance framework. The skill survey matrix highlighted generally a good comprehension of understanding governance across Somerset Council.</p> <p><b>Area for Development:</b> Code of Local Governance to go to Audit Committee for review and oversight.</p>
Consider the effectiveness of the authority’s risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements	The Committee receives and approves the Council’s Risk Management Framework. In addition, it considers the Strategic Risk Register on a regular basis asking questions around assessments, controls and risk exposure.
Monitor the effectiveness of the system of internal control, including	The Committee receives regular updates from the Head of Audit on the

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<p>arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.</p>	<p>progress of the audit plan, which includes coverage against governance, risk management, internal controls and bespoke areas of value for money and ethics. The Head of Audit's Annual Opinion on the control environment is considered by the Committee. In addition, updates are provided in relation to Counter Fraud arrangements and the fraud risk assessment.</p>
<p><b>Financial and governance reporting</b></p>	
<p>Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.</p>	<p>The Committee receives and approves the Annual Governance Statement each year.</p> <p><b>Area for Development:</b> To receive a mid-term progress update providing assurances that the actions identified in the Annual Governance Statement are being addressed.</p>
<p>Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.</p>	<p>The Statement of Accounts and the associated external auditors report are considered by the Committee. Management's response to the ISA260 is also reported to the Committee for consideration.</p>
<p><b>Establishing appropriate and effective arrangements for audit and assurance</b></p>	
<p>Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.</p>	<p>The Annual Internal Audit Plan is presented to the Audit Committee for approval. Further assurance can be taken from other review bodies such as Ofsted and the CQC as required.</p>
<p>In relation to the authority's internal audit functions:</p> <ul style="list-style-type: none"> <li>· Oversee its independence, objectivity, performance and conformance to professional standards.</li> <li>· Support effective arrangements for internal audit.</li> <li>· Promote the effective use of internal audit within the assurance framework</li> </ul>	<p>The Audit Committee approve the Internal Audit Charter and Internal Audit Plan.</p> <p><b>Area for Development:</b> Whilst the QAIP is reported to the SWAP (South West Audit Partnership) Board, an annual update should be provided to the Audit Committee.</p>
<p>Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.</p>	<p>All reports of the external auditor and management response to these are considered by the Committee. External audit attend every Audit Committee meeting to enable verbal updates or respond to questions from the Audit Committee.</p>

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	<b>Area for Development:</b> To consider reports from any other inspection agencies that raise matters of governance, risk management and control.
Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.	The Audit Committee are consulted on whether the Council should participate in the national scheme for the procurement and appointment of external auditors (which Somerset Council does).
Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.	This can be evidenced through the minutes of the Audit Committee which demonstrate the breadth of discussion and engagement by committee members and officers.
<b>Audit Committee Membership</b>	
A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.	The Audit Committee Skills Survey highlighted that across the membership the necessary skills are available.  Area for Development: blocking out two slots to allow the opportunity for training to be scheduled. Development of the bespoke members training plans
A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.	This can be evidenced through the minutes of the Audit Committee which demonstrate the breadth of discussion and challenge where appropriate and engagement by Committee members and officers.
A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are: · Promoting apolitical open discussion. · Managing meetings to cover all business and encouraging a candid approach from all participants. · Maintaining the focus of the committee on matters of greatest priority.	The Chair of the Audit Committee has considerable experience of serving on the Audit Committee and chairing. The Chair holds a pre-meeting before each Audit Committee to discuss the agenda and help shape discussions and challenge.
Willingness to operate in an apolitical manner.	This can be evidenced by the minutes of the Audit Committee and the Chair of the Audit Committee will bring any members in line where discussions stray.
Unbiased attitudes – treating auditors, the executive and management fairly.	Good working relationships are in place between the Audit Committee, officers and external audit.

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The ability to challenge the executive and senior managers when required.	This can be evidence in the minutes of the Audit Committee which highlight the level of discussion and challenge.
Knowledge, expertise and interest in the work of the committee.	Skills survey has broadly shown the committee has the necessary skills and knowledge at its disposal. There are some areas for further training a development to enhance knowledge and understanding. Additional skills brought to the committee through the co-opted independent member.
<b>Engagement and Outputs</b>	
Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public	The Committee met 7 times during 2023-24. Where possible items are discussed in public but where this would not be appropriate arrangements are in place for a private meeting sessions, as per counter fraud update.
Be able to meet privately and separately with the external auditor and with the head of internal audit.	External audit are invited to all Committee pre-meets so that they can have a discussion with the Audit Committee outside of the presence of officers. The Chair and Vice Chair of Audit Committee have periodic meetings with the Head of Audit. The Audit Committee has the opportunity to request a private session with the External and Internal Audit.
Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required.	The Chief and Deputy Chief Finance Officers, external audit and Head of Audit attend all Audit Committee meetings. There is also legal representation on the Audit Committee and Chief Executive attends if required. All officers and external audit are able to contact the Chair of Audit Committee outside of formal meetings should this be required.
Have the right to call on any other officers or agencies of the authority as required.	The Audit Committee is aware that it can call officers in for particular assurance updates as required. However, whilst officers have been called during 2022-23, with the agenda being dominated by signing off the outstanding legacy authorities financial accounts, this has been less so.
Support transparency, reporting regularly on its work to those charged with governance	The Chair of Audit Committee presents an annual report to Full Council summarising the work that the committee has undertaken.

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<p>Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.</p>	<p>Somerset Council was formed in April 2023. This is the first compliance sign off for Somerset Council but will be done annually going forward.</p>
<p>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.</p>	<p>Somerset Council was formed April 2023. It has recently undertaken its first self-assessment of its effectiveness.</p> <p><b>Area for Development:</b> Instigate a process that seeking feedback from key stakeholders such as Chief Officers, internal and external audit.</p>

### Areas for Development

Code of Local Governance to go to Audit Committee for review and oversight.

In addition, the Audit Committee should receive a mid-term progress update providing assurances that the actions identified in the Annual Governance Statement are being addressed.

Whilst the QAIP is reported to the SWAP Board, an annual update should be provided to the Audit Committee.

To consider reports from any other inspection agencies that raise matters of governance, risk management and control.

Instigate a process that seeking feedback from key stakeholders such as Chief Officers, internal and external audit.