

SELF ASSESSMENT AUDIT COMMITTEE

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Portfolio: Finance

Wards Affected: All

Purpose of the Report:

It is considered good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the committee is performing effectively. This report provides the results of the assessment undertaken in March 2022 for review and update.

Recommendations:

1. That the Audit Committee discuss the attached checklist at Appendix 1 from 2022 and consider whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.

Background

- 1.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees - practical guidance for local authorities and police” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice. The guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.
- 1.2 In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee’s and a new Audit Committee self-assessment template is now available. It is suggested that the March 2024 assessment is undertaken using the new interactive template following the May 2023 elections.
- 1.3 The Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.
- 1.4 Good audit committees are characterized by; balanced, objective, independent knowledgeable and properly trained members, a membership that is supportive of good governance principles, a strong independently minded chair, an unbiased attitude and the ability to challenge when required.
- 1.5 It is therefore good practice for audit committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.
- 1.6 In addition, the Public Sector Internal Audit Standards also call for the audit committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
- 1.7 The Audit Committee has regularly carried out the self-assessment exercise annually and has acted where necessary to ensure full compliance with best practice.
- 1.8 The guidance provides two tools against which the Committee can assess itself, the first (self-assessment of good practice) supports an assessment against recommended practice to inform and support the Committee. The second assessment tool (evaluating the effectiveness of the audit committee) helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be effective the Audit Committee should be able to identify evidence of its impact or influence.
- 1.9 At the meeting held March 2022, Committee members reviewed and completed the two assessment tools, the results of which can be found at **Appendix 1** of this report.

2. Issues for discussion

- 2.1 All of the questions answered within Part A of the 2022 self-assessment were scored yes. During the last assessment, the committee felt it acted in accordance with good practice in the areas of purpose, skills, experience and governance.
- 2.2 The results of part two of the assessment highlighted that the committee felt there was mixed experience in supporting improvements in the area of risk management. The committee felt a score of three out of five should be given until training had been delivered.
- 2.3 Risk Management training has been delivered and was well attended by the Committee, however, in December 2022 a risk maturity position statement was carried out by Internal Audit. This work has highlighted that the committee had not been receiving the strategic risk register in accordance with the risk policy. This has since been addressed; however, the committee may wish to reflect on this area until they can demonstrate they have had the opportunity to review the register more regularly.

3. Conclusion

- 3.1 During the 2022 self-assessment, members of the Audit Committee agreed they were acting in conformance with the CIPFA best practice guidance. Internal Audit invites the committee to review the results of the prior year and update the results if necessary.
- 3.2 Undertaking a regular review of performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties in accordance with its Terms of Reference.

4 Recommendation

- 4.1 That Audit Committee discuss the attached checklist at **Appendix 1** to this report from 2022 and consider whether any of the scoring requires amending or whether improvement actions need to be developed in any areas.

Appendices

Appendix 1 – Self Assessment Checklist 2022

APPENDIX 1

Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

Good Practice Questions		Yes	Partly	No
Audit Committee purpose and governance				
1	Does the authority have a dedicated audit committee?	√		
2	Does the audit committee report directly to full council?	√		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	√		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the committee to accounts for its performance operating satisfactorily?	√		
	Functions of the committee	√		
7	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> - Good governance - Assurance framework - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption 	√		
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√		
9	Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?	√		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Not applicable		

11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√		
Membership and support				
12	Has an effective audit committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	√		
13	Does the chair of the committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the committee with briefings and training?	√		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	√		
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	√		
17	Is adequate secretariat and administrative support to the committee provided?	√		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	√		
19	Has the committee evaluated whether and how it is adding value to the organisation?	√		
20	Does the committee have an action plan to improve any areas of weakness?	√		

Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making	<p>The Committee meets regularly to question and challenge as appropriate, as shown through the minutes. Significant control weaknesses identified during the Audit Committee meetings are reported to full Council. The Annual governance statement is reviewed by the committee.</p> <p>The Committee seeks to gain assurance as needed on the reports received. The Committee provides robust review of the Annual Governance Statement and the</p>	5

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
	<p>assurances underpinning it. The Audit Committee also discusses any significant constitutional changes.</p> <p>Through the reports received and the questions raised, the Committee supports reviews / audits of governance arrangements. The Committee regularly participates in self-assessments of governance arrangements.</p>	
<p>Contributing to the development of an effective control environment</p>	<p>The Committee monitors the implementation of recommendations made by the auditors, and regularly challenges those that are overdue.</p> <p>The Committee encourages ownership of the internal control framework by appropriate managers and calls managers to account as necessary / required. The Committee raises significant concerns over controls with appropriate senior managers through those presenting the reports.</p> <p>The Committee recently provided feedback on the revised Contract Standing Orders suggesting changes where appropriate to strengthen the control framework. The Commercialisation Strategy was also recently reviewed by the Committee and they have been robust in their challenge of revised deadlines for the completion of recommendations in relation to noncompliance with 'No PO No Pay'.</p>	<p>5</p>
<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks</p>	<p>Risk registers/reports are now presented to the Committee and are included within their remit of the Committee in its terms of reference. The Committee reviewed, and recommended following amendments that the Risk Policy be approved by Council. Until members have received training on the Risk Management framework, this section will remain at a lower score.</p>	<p>3</p>

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	The Committee is responsible for assuring itself that internal audit coverage is sufficient when the annual plan is presented each year. The Internal Audit team where possible has been working on ensuring that where possible joint reviews are carried out with South Norfolk to identify inconsistencies in shared processes. Whilst Broadland did not experience any significant delays from EY in relation to delivering external audit work in 2019/20; the Chair of the committee will be kept informed of any future difficulties experienced by EY that could impact on delivery during 2020/21. The Chair has recently attended an EY event in Cambridge.	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>The Committee reviews the audit charter and functional reporting arrangements as part of the annual internal audit plans report brought to the Committee by the Internal Audit team.</p> <p>The Committee assesses the effectiveness of internal audit arrangements and supports improvements. The Committee recognises that internal audit is a key source of information for them to consider.</p>	5
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	The Committee reviews and endorses the risk based internal audit plan annually and is involved in reviewing the effectiveness of performance management arrangements through the specific internal audit reviews as appropriate. In addition, external audit provides reports in relation to the financial stability of the Council.	4
Supporting the development of robust arrangements for ensuring value for money	The Committee evaluates the three E's (effectiveness, efficiency and economy) regularly and ensures that assurances on value for money arrangements is included in the assurances received by the Committee. The Committee considers how performance in value for money is evaluated as part of the AGS, contract standing orders and through internal/external audits.	5

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<p>The Committee reviews the arrangements in place for countering fraud and corruption through regular review of the relevant policies and receives regular updates from the Fraud team.</p> <p>The Committee recognises that fraud risks and the effectiveness of the organisations strategy to address those risks are highlighted through the reports received from internal audit as necessary and through the Annual Governance Statement.</p>	4