

Audit and Risk Committee Self-Assessment
Report by Internal Audit Manager

Summary:

This report provides an overview of the Self-Assessment exercise that was carried out in March 2019.

Recommendation:

The committee is requested to note the attached checklist at Appendix 1 to this report, and either (a) confirm that full compliance has been recognised in relation to each of the areas subject to scrutiny or (b) note action required to ensure full compliance.

1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) advocates that it is good practice for Audit Committees, or their equivalent, to undertake regular assessments. Thus, enabling members to gain an appreciation of what affords best practice, to confirm the level of compliance being achieved, and to identify any potential areas for enhancements to be made to arrangements.

2. Background

- 2.1 The CIPFA document “audit committees – practical guidance for local authorities and police” sets out the guidance in the function and operations of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.
- 2.2 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”.
- 2.3 The Chief Financial Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.
- 2.4 Good audit committees are characterised by;
- balanced, objective, independent, knowledgeable and properly trained members;
 - a membership that is supportive of good governance principles;

- a strong independently minded Chair;
- and unbiased attitude; and
- ability to challenge when required.

2.5 It is therefore good practice to complete a regular self-assessment exercise against a checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards (PSIAS) also call for the committee to assess their remit and effectiveness in relation to; “Purpose, Authority and Responsibility”, to facilitate the work of this committee.

2.6 This is the first time that the Audit and Risk Committee has undertaken a self-assessment.

2.7 The first part of the assessment is a yes / no response and covers:

- Purpose and Governance;
- Functions of the Committee;
- Membership and Support; and
- Effective of the Committee.

2.8 The second part of the assessment requires an assessment as to how the committee displays it is effective through the reports it receives, and is broken down into the following key areas:

- Promoting the principles of good governance and their application to decision making;
- Contributing to the development of an effective audit committee;
- 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 the quality of the internal audit activity, particularly by underpinning its organisational independence;
- Aiding the achievement of the authority’s goals and objective through helping to ensure appropriate governance, risk, controls and assurance arrangements;
- Supporting the development of robust arrangements for ensuring value for money; and
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

3. Current Position/Findings

3.1 The self-assessment checklist has been reviewed and updated with the Chair prior to this meeting; and was circulated to members, the conclusions of which can be seen at **Appendix 1** to this report.

4. Proposals

- 4.1 The committee are requested to review the checklist at **Appendix 1** to ensure that this is an accurate reflection of the operations of the committee and to note any action that needs to be taken as a result of the conclusions.

5. Risks and implications arising

- 5.1 Not applicable to this report.

Background papers: CIPFA guidance for Audit Committees - practical guidance for local authorities and police

Author: Faye Haywood

Date of Report:

Appendices: Appendix 1 – Audit and Risk Committee Self-Assessment

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?	Y		
2	Does the audit committee report directly to full authority?	Y		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	Y		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y		
	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 	Y		
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?	Y		
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?	Y		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y		

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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?	Y		
	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	Y		
13	Does the chair of the committee have appropriate knowledge and skills?	Y		
14	Are arrangements in place to support the committee with briefings and training?	Y		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		Y*	
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	Y		
17	Is adequate secretariat and administrative support to the committee provided?	Y		
	Effectiveness of the committee			
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y		
19	Has the committee evaluated whether and how it is adding value to the organisation?	Y		
20	Does the committee have an action plan to improve any areas of weakness?	Y		

***15: Partly Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory.**

Annual training is undertaken by the Audit and Risk committee and other Authority members on the financial Statement of Accounts. This is provided by the Chief Financial Officer. The Audit and Risk Committee recognises that membership may change as of May 2019 due to local elections and it would therefore be prudent to conduct a skills assessment following their appointment to highlight any training requirements.

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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>A peer review was undertaken in 2018 to evaluate the governance structure of the Authority. Recommendations were proposed in respect of the audit committee and of wider governance arrangements and later adopted.</p> <p>The Financial Scrutiny and Audit Committee was repurposed to the Audit and Risk Committee and terms of reference were reviewed and amended to ensure that the Committee supports the evaluation of</p>	4

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	<p>effective Governance, Risk Management and Control processes in line with best practice.</p> <p>The Committee provides robust review of the Annual Governance Statement and the Internal Audit Opinion.</p> <p>Internal Audit reviews annual audit on Governance arrangements Self-assessment undertaken annually to evaluate effectiveness.</p>	
<p>Contributing to the development of an effective control environment</p>	<p>Annual follow up reports provided by the Audit Manager and Chief Finance Officer as to progress made with internal audit recommendations.</p> <p>The Audit and Risk Committee review and endorse relevant policies that strengthen the control framework such as money laundering, whistleblowing. They review authority levels used for decision making throughout the authority and review the Treasury management strategy prior to Authority approval.</p> <p>The Audit and Risk Committee now receives regular reports on GDPR compliance.</p>	<p>4</p>
<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks</p>	<p>Responsibility for oversight of risk management rests with the committee. The Audit and Risk Committee regularly receives the strategic risk register for review and is able to observe decision making reports with relevant consideration of risks included. The risk management strategy/framework has been approved by the Audit and Risk Committee.</p> <p>All internal audits carried out at the Broads Authority are risk based, providing assurance that key risks are being managed appropriately.</p>	<p>4</p>

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	These receive scrutiny from the Audit and Risk Committee during the reporting of the Annual Internal Audit Opinion presented by the HOIA.	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p>Assurance is provided through the internal audit reports and through the Value for Money statement provided by the External Auditors. The Annual Governance Statement is reviewed by the Audit and Risk Committee and endorsed for approval by Broads Authority Board.</p> <p>The Audit and Risk Committee has been instrumental in ensuring that financial information is easy to understand and accessible by all members.</p> <p>The Audit and Risk Committee is responsible for approving both Internal and External plans, satisfying itself that coverage is adequate and assurance is being provided over key risks that threaten the achievement of the authority's objectives.</p>	4
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>The Audit Charter covers reporting requirements in terms of reporting functionally to the Audit and Risk Committee and administratively to the Corporate Management team at SNC.</p> <p>The Head of Internal Audit also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team and the Chair of the Committee.</p> <p>Effectiveness of the internal audit service is assessed as part of the year end reporting through the Annual Opinion, in particular the Quality Assurance & Improvement Programme (internal and external assessment).</p>	4
Aiding the achievement of the authority's goals and objectives	This is covered in the scopes of audit reviews as required and the annual audit plan ensures that assurance requirements are covered in	4

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<p>through helping to ensure appropriate governance, risk, control and assurance arrangements</p>	<p>respect of Broads Authority objectives. The Audit and Risk Committee also receives regular reports from the Chief Finance Officer in respect of monitoring the implementation of audit recommendations. These are independently verified by Internal Audit at year end.</p>	
<p>Supporting the development of robust arrangements for ensuring value for money</p>	<p>The External Auditor reports on this objectively and provides a conclusion on value for money. This is also displayed through the Annual Governance Statement that the Committee receives.</p> <p>The Audit and Risk Committee supports officer pursuit of debt recovery and was involved in benchmarking exercise to establish administration and governance costs across National Parks. The Committee also supports suggestions for joint IT marketing functions across National Parks.</p>	<p>5</p>
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks</p>	<p>The Audit and Risk Committee receive and scrutinise regular reports on anti-fraud arrangements. Fraud related recommendations arising from Internal Audit reports would be reported to the Audit and Risk Committee. No such occurrences have been reported in 2018/19.</p>	<p>4</p>