

Audit Committee Self-Assessment Exercise 2012/13
Report by Head of Internal Audit

Summary:	<p>This report seeks to address an issue arising from the annual review of the effectiveness of Internal Audit carried out in 2011/12 which was brought to members' attention on 10 July 2012. The Chartered Institute for Public Finance (CIPFA) advocates that it is good practice for Audit Committees or their equivalent to undertake regular self-assessments against a checklist of measures designed to test whether they are suitably equipped to perform their role on behalf of their organisations. However, to date, the Financial Scrutiny and Audit Committee has yet to undertake a review of its own effectiveness. Hence CIPFA's Audit Committee Self-Assessment Checklist has been attached to this report, to enable members to gain an appreciation of what affords recognised operational best practice and then, to work through the questionnaire to confirm the level of compliance being achieved, whilst also identifying any areas where there is potential for further enhancements to be made to arrangements.</p>
Recommendation:	<p>That the Committee reviews the completed checklists which members have been requested to complete in advance of the December meeting and provides feedback in the meeting concerning any aspects where they have recorded partial or non-compliance against criteria evaluated. Where appropriate the Head of Internal Audit will then develop an Action Plan, to address agreed deviations identified as warranting full compliance.</p>

1 Background

- 1.1 The Financial Scrutiny and Audit Committee has been operating since 16 February 2010 but to date, has not carried out a self-assessment exercise to gauge how it performs against best practice guidelines. This situation was acknowledged in the course of reporting back to Committee on the conclusions of the 2011/12 annual review of the effectiveness of Internal Audit in July 2012, when the Head of Internal Audit acknowledged that although there has always been good debate and challenge at Committee meetings, the Committee has yet to participate in a review of its own effectiveness. Upon raising this issue with members, discussion ensued as to whether it was appropriate for the Committee to carry out regular assessments of its own effectiveness, but after further input from the Head of Internal Audit, it was agreed the CIPFA questionnaire should be circulated and completed. The outcomes of the exercise will then provide a clear indication as to the extent of

compliance being achieved in relation to published best practice guidance and if any additional improvements need to be made.

- 1.2 CIPFA's Audit Committee Self Assessment Checklist (attached at Appendix 1) focuses on six fundamental areas, and 66 individual aspects of operations. The key areas are as follows:

- Establishment, Operation and Duties;
- Internal Control;
- Financial Reporting and Regulatory Matters;
- Internal Audit;
- External Audit; and
- Administration.

2 Issues

- 2.1 Prior to performing the Audit Committee Self-Assessment, members should further be aware that there is currently a national move to introduce consolidated Public Sector Internal Audit Standards with effect from 2013/14, whereas previously, public sector organisations were subject to a host of different internal audit standards. Last year, collaboration between CIPFA and the Institute of Internal Auditors led to the formulation of draft Public Sector Internal Audit Standards, which were then put out to consultation until 14 September 2012. Having reviewed the consultation documentation, it is apparent that these draft standards will have implications for the role of the Audit Committee (the "Board") and reporting arrangements to be observed going forward. We have been advised that the standards will be introduced from 1 April 2013 and that responses received during the consultation period will be used to inform the final version that these standards will take.
- 2.2 In the interim, the Head of Internal Audit has been recommending to member authorities in the Norfolk Internal Audit Consortium to continue to satisfy previously published best practice guidance wherever possible, whilst the Internal Audit Service repositions itself to meet the obligations of the incoming amalgamated standards.

3 Conclusion

- 3.1 Completion of the Audit Committee Self-Assessment Checklist will provide an important update from members as to how they view the effectiveness of current arrangements. Conversely, if there are any deviations or shortcomings apparent regarding alignment with existing best practice requirements, the Head of Internal Audit will develop an Action Plan to address any issues arising.

Background papers: None

Author: Sandra King

Date of Report: 9 November 2012

Broads Plan Objectives: None

Appendices: APPENDIX 1 - CIPFA's Audit Committee Self Assessment Checklist

The Broads Authority - Audit Committee Self Assessment Checklist

No.	Priority	Issue	Yes	No	Comments
1. ESTABLISHMENT, OPERATION AND DUTIES			√	√	
Role and Remit					
1.1	1	Does the audit committee have written terms of reference?			
1.2	1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?			
1.3	1	Are the terms of reference approved by the council and reviewed periodically?			
1.4	1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?			
1.5	1	Can the audit committee access other committees and full council as necessary?			
1.6	1	Does the authority's Annual Governance Statement include a description of the audit committee's establishment and activities?			
1.7	2	Does the audit committee periodically assess its own effectiveness?			
1.8	2	Does the audit committee make a formal annual report on its work and performance during the year to full council?			
Membership, Induction and training					
1.9	1	Has the membership of the audit committee been formally agreed and a quorum set?			
1.10	1	Is the chair independent of the executive function?			
1.11	1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?			

No.	Priority	Issue	Yes	No	Comments
1.12	1	Are new audit committee members provided with an appropriate induction?			
1.13	1	Have all members skills and experiences been assessed and training given for identified gaps?			
1.14	1	Has each member declared his or her business interests?			
1.15	2	Are members sufficiently independent of the other key committees of the council?			
Meetings					
1.16	1	Does the audit committee meet regularly?			
1.17	1	Do the terms of reference set out the frequency of meetings?			
1.18	1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?			
1.19	1	Are members attending meetings on a regular basis and if not, is appropriate action taken?			
1.20	1	Are meetings free and open without political influences being displayed?			
1.21	1	Does the authority's S151 officer or deputy attend all meetings?			
1.22	1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?			
INTERNAL CONTROL					
2.1	1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit?			
2.2	1	Does the audit committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?			
2.3	1	Does the audit committee consider how meaningful the Annual Governance Statement is?			

No.	Priority	Issue	Yes	No	Comments
2.4	1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?			
2.5	1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?			
2.6	1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"			
2.7	1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?			
2.8	2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?			
2.9	2	Does the audit committee review the authority's strategic risk register at least annually?			
2.10	2	Does the audit committee monitor how the authority assesses its risk?			
2.11	2	Do the audit committee's terms of reference include oversight of the risk management processes?			
FINANCIAL REPORTING AND REGULATORY MATTERS					
3.1	1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?			
3.2	1	Does the audit committee consider specifically: - the suitability of accounting policies and treatments; - major judgements made; - large write-offs; - changes in accounting treatment; - the reasonableness of accounting estimates; - the narrative aspects of reporting?			
3.3	1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?			

No.	Priority	Issue	Yes	No	Comments
3.4	1	Does the audit committee review management's letter of representation?			
3.5	2	Does the audit committee annually review the accounting policies of the authority?			
3.6	2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?			
3.7	2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?			
INTERNAL AUDIT					
4.1	1	Does the audit committee approve annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?			
4.2	1	Does internal audit have an appropriate reporting line to the audit committee?			
4.3	1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?			
4.4	1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?			
4.5	1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?			
4.6	1	Is there appropriate co-operation between the internal and external auditors?			
4.7	1	Does the audit committee review the adequacy of internal audit staffing and other resources?			
4.8	1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom?			
4.9	2	Are internal audit performance measures monitored by the audit committee?			
4.10	2	Has the audit committee considered the information it wishes to receive from internal audit?			

No.	Priority	Issue	Yes	No	Comments
EXTERNAL AUDIT					
5.1	1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?			
5.2	1	Does the audit committee hold periodic private discussions with the external auditor?			
5.3	1	Does the audit committee review the external auditor's annual report to those charged with governance?			
5.4	1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?			
5.5	1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?			
5.6	1	Does the audit committee assess the performance of external audit?			
5.7	1	Does the audit committee consider and approve the external audit fee?			
ADMINISTRATION					
Agenda administration					
6.1	1	Does the audit committee have a designated secretary from Committee/Member Services?			
6.2	1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?			
6.3	2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?			
6.4	2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?			

No.	Priority	Issue	Yes	No	Comments
Papers					
6.5	1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?			
6.6	2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?			
Actions arising					
6.7	1	Are minutes prepared and circulated promptly to the appropriate people?			
6.8	1	Is a report on matters arising made and minuted at the audit committee's next meeting?			
6.9	1	Do action points indicate who is to perform what and by when?			