

## BRECKLAND DISTRICT COUNCIL

**Report of:** Head of Internal Audit

**To:** Governance and Audit Committee 15 February 2019

**Author:** Emma Hodds Head of Internal Audit for Breckland DC

**Subject:** Audit Committee Self-Assessment Exercise

**Purpose:** The Chartered Institute of Public Finance and Accountancy (CIPFA) document on “audit committee’s practical guidance for local authorities and police” sets out the guidance on the function and the operation of audit committees. It represents CIPFA’s view of best practice and incorporate the positions statements previously issued.

**The Audit Committee has been undertaking self-assessments since 2008 and the CIPFA Audit Committee Self-Assessment Checklist is attached to this report for Members to discuss.**

### **Recommendation(s):**

- 1) That Members note the attached checklist at **Appendix 1** to this report, ensure that this is an accurate reflection, update as appropriate and agree any resulting action points.
- 2) That Members confirm the frequency of review of the self-assessment.

### **1.0 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 operations of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.
- 1.2 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.
- 1.3 The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide and support challenge.
- 1.4 Good audit committees are characterised by; balance, 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 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 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. This committee has been undertaking self-assessment exercises on a regular basis since 2008 and has taken action where necessary to ensure full compliance with best practice.

- 1.6 The first part of the assessment is a yes / no response and covers:
- Purpose and Governance;
  - Functions of the Committee;
  - Membership and Support; and
  - Effectiveness of the Committee.
- 1.7 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 objectives through helping to ensure appropriate governance, risk, controls and assurance arrangements;
  - Supporting the development of robust arrangements for ensuring value for money;
  - Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks; and
  - Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.
- 1.8 At the Committee meeting on the 16<sup>th</sup> February 2018 the Committee reviewed the completed self-assessment exercise following the training session held on the 1<sup>st</sup> December 2017, which also included the scoring provided by the Independent Member.
- 1.9 The results of the scoring and commentary were reviewed by Members at the meeting on the 28<sup>th</sup> September 2018, the amendments made were as follows (as noted within the minutes of the meeting):
- Promoting the principles of good governance and their application to decision making – Members agreed to leave this at 4 and revisit next time.
  - Contributing to the development of an effective control environment – Mr Plaskett thought the 3 was too low and rescored as 4.
  - Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks – Members were happy to leave this as a 4
  - Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively – after re-reading Mr Plaskett believed this should be 4
  - Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence – Members were happy to leave as 4
  - Aiding the achievement of the authority's goals and Objectives through helping to ensure appropriate governance, risk, control and assurance arrangements – Mr Plaskett would like this amended to 4

- Supporting the development of robust arrangements for ensuring value for money – Mr Plaskett wished for the committee to discuss. Councillor Wilkinson felt this could be
- 4 as it was well led by Alison Chubbock and information was always clear. Emma Hodds reminded the committee that they receive a value for money conclusion annually from the
- annual external auditor comments. Members agreed to amend this to 4.
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. Mr Plaskett was happy to mark as 4.

1.10 The Committee is therefore requested to note the attached (updated) checklist at **Appendix 1** to this report, ensure that this is an accurate reflection, update as appropriate and agree any resulting action points.

1.11 The Committee also noted that at that time there were no training needs or requests from this assessment and the Committee would review the self-assessment in six months' time. At this review a decision would be made as to whether this remained a six-monthly assessment or became annual.

## 2.0 **OPTIONS**

2.1 The alternative approach would be for the Governance and Audit Committee not to complete the Self-Assessment exercise; however, this would result in no assurance being provided that the Committee is assisting the Council in achieving good corporate governance and is sufficiently proactive.

## 3.0 **REASONS FOR RECOMMENDATION**

3.1 Completion of the Self-Assessment Checklist provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Committee, and good corporate governance is achieved.

## 4.0 **EXPECTED BENEFITS**

4.1 The Governance and Audit Committee are able to demonstrate that best practice is followed and that they are proactive in helping to raise the profile of internal control, risk management and financial reporting matters at the Council.

## 5.0 **IMPLICATIONS**

### 5.1 **Corporate Priorities**

5.1.1 The Governance and Audit Committee, through its terms of reference, helps to ensure that the service areas and risks reported are working towards the efficient and effective delivery of the Council's corporate priorities.

### 5.2 **Risk Management**

5.2.1 The Committee supports the oversight of the Council's risk management framework, which will in turn ensure that the Council's key risks are accurately reviewed and addressed. This is ensured by following best practice and adopting sound terms of reference.

## 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 None.

---

Background papers: - None

---

**Lead Contact Officer**

Name and Post: Emma Hodds, Head of Internal Audit

Telephone Number: 01508 533791

Email: ehodds@s-norfolk.gov.uk

**Director / Officer who will be attending the Meeting** Faye Haywood, Internal Audit Manager

**Key Decision:** No

**Exempt Decision:** No

**Appendices attached to this report:** Appendix 1 – Audit Committee Self-Assessment Checklist