

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Head of Internal Audit for South Holland DC

To: Governance and Audit Committee 14 January 2021

Author: Faye Haywood Internal Audit Manager for SOUTH HOLLAND 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:

That Members note and update the attached checklist from 2020 at **Appendix 1** to this report, ensure that this is still an accurate reflection, and to reflect on whether suggested improvements have been completed where best practice was not demonstrated last year.

1. 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 carry’s out self-assessment exercises on a regular basis.

- 1.6 The first part of the assessment is a yes/partial/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 exercise 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.
- 1.8 At the Committee meeting held on the 16 January 2020 the results of the self-assessment carried out with the Chair and Vice Chair were presented and agreed. Last year's results are provided at **Appendix 1** of this report for an update if required. This will be facilitated through a discussion between the Internal Audit Manager and the Committee.

The 2020 self-assessment highlighted the following areas of partial or non-conformance with best practice. It is suggested that the Committee considers whether it has improved in these areas and if new actions need to be agreed.

- Question 4 – The Committee considers that more could be done to highlight the role and purpose of the audit committee across the authority.
- Question 18 - The committee has not obtained feedback on its performance from those interacting with the committee or relying on its work.

It was agreed that for both question four and question 18 this could be addressed by providing Full Council with annual report containing details of the Governance and Audit work plan and highlighting any significant governance, risk and control concerns. Feedback could to be received ensuring that Governance and Audit Committee is fulfilling its Terms of Reference.

- Question 15 – The membership of the committee has not been provided with the CIPFA Audit Committee core knowledge and skills framework. It is suggested that this is circulated and if any gaps are identified, training should be requested.

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 **RECOMMENDATION**

3.1 For the Committee to review the areas of partial and non-conformance from 2020 to note any improvements and update the results where appropriate through discussion.

4.0 **EXPECTED BENEFITS**

4.1 The Governance and Audit Committee can demonstrate that best practice is followed in most areas 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 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

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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 – 2020 Audit Committee Self-Assessment Checklist