

# Self-assessment of good practice

This self-assessment provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and Guidance. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

<b>PART 1</b>				
<b>Good practice questions</b>		<b>Yes</b>	<b>Partly</b>	<b>No</b>
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	7		
2	Does the audit committee report directly to full council? (applicable to local government only)	7		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			7
4	Is the role and purpose of the audit committee understood and accepted across the authority?	1	6	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	7		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		6 <sup>1</sup>	
<b>Functions of the committee</b>				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	<ul style="list-style-type: none"> <li>good governance</li> </ul>	7		
	<ul style="list-style-type: none"> <li>assurance framework, including partnerships and collaboration arrangements</li> </ul>		7	
	<ul style="list-style-type: none"> <li>internal audit</li> </ul>	7		
	<ul style="list-style-type: none"> <li>external audit</li> </ul>	7		

<sup>1</sup> One member did not respond to this question

## APPENDIX B

	<ul style="list-style-type: none"> <li>financial reporting</li> </ul>	7		
	<ul style="list-style-type: none"> <li>risk management</li> </ul>	7		
	<ul style="list-style-type: none"> <li>value for money or best value</li> </ul>			7
	<ul style="list-style-type: none"> <li>counter fraud and corruption</li> </ul>	6	1	
	<ul style="list-style-type: none"> <li>supporting the ethical framework</li> </ul>		5	2
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?			7
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?	7		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	n/a		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	7		
<b>Membership and support</b>				
12	Has an effective audit committee structure and composition of the committee 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 consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	2	5 <sup>2</sup>	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	n/a		
14	Does the chair of the committee have appropriate knowledge and skills?	6 <sup>3</sup>		
15	Are arrangements in place to support the committee with briefings and training?	5 <sup>4</sup>	2	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			7

<sup>2</sup> This is considered to be substantially operating as all but one element (consideration of an independent member) is in place

<sup>3</sup> One member did not respond to this question

<sup>4</sup> One positive response included comment 'could do more'

## APPENDIX B

17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	7		
18	Is adequate secretariat and administrative support to the committee provided?	5	2	
<b>Effectiveness of the committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		2	5
20	Are meetings effective with a good level of discussion and engagement from all the members?	7		
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	5	2	
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?		1	6
23	Has the committee evaluated whether and how it is adding value to the organisation?	1		6
24	Does the committee have an action plan to improve any areas of weakness?		1	6
25	Does the committee publish an annual report to account for its performance and explain its work?	1		6

## PART 2

# Evaluating the effectiveness of the audit committee

## Assessment key

Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.		5
Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.		4
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.		3
There is some evidence that the committee has supported improvements, but the impact of this support is limited.		2
No evidence can be found that the audit committee has supported improvements in this area.		1
<b>Areas where the audit committee can add value by supporting improvement</b>	<b>Examples of how the audit committee can add value and provide evidence of effectiveness</b>	<b>Self-evaluation, examples, areas of strength and weakness</b>
Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance</li> <li>Providing robust review of the AGS and the assurances underpinning it</li> <li>Working with key members to improve their understanding of the AGS and their contribution to it</li> <li>Supporting reviews/audits of governance arrangements</li> <li>Participating in self-assessments of governance arrangements</li> <li>Working with partner audit committees to review governance arrangements in partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Annual governance process</li> <li>Review of draft and final AGS + evidence table detailing the assurances underpinning the AGS]</li> <li>Internal Audit annual plan process, approval of annual plan</li> <li>Audit committee self-assessment</li> </ul>
		<b>Overall assessment:</b> 5 – 1 See key above  2x4 5x3 Ave=3

## APPENDIX B

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Contributing to the development of an effective control environment	<ul style="list-style-type: none"> <li>• Actively monitoring the implementation of recommendations from auditors</li> <li>• Encouraging ownership of the internal control framework by appropriate managers</li> <li>• Raising significant concerns over controls with appropriate senior managers</li> </ul>	<ul style="list-style-type: none"> <li>• Review of mid-year and year-end Internal Audit reports detailing implementation of recommendations</li> <li>• Requiring managers, including senior managers, to attend the committee to discuss red and red/amber audit reports and significant governance gaps</li> </ul>	<p><b>3x5</b></p> <p><b>3x4</b></p> <p><b>1x2</b></p> <p><b>Ave = 4</b></p>
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking</li> <li>• Monitoring improvements</li> <li>• Holding risk owners to account for major/strategic risks</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the Corporate Risk Register 3/4 times a year</li> <li>• Corporate Risk Register shows improvements from one quarter to the next</li> <li>• Risk Owners are identified in the register and issues raised by the Committee are referred back to them and responses provided</li> </ul>	<p><b>2x5</b></p> <p><b>3x4</b></p> <p><b>1x3</b></p> <p><b>1x2</b></p> <p><b>Ave=4</b></p>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> <li>• Specifying its assurance needs, identifying gaps or overlaps in assurance</li> <li>• Seeking to streamline assurance gathering and reporting</li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit</li> </ul>	<ul style="list-style-type: none"> <li>• Other sources of assurance are highlighted in the Internal Audit Plan committee report</li> <li>• The annual governance review evidence table presented to committee to support the AGS demonstrates how assurance has been gathered</li> <li>• The effectiveness of internal audit is reviewed annually and reported to the committee</li> </ul>	<p><b>2x5</b></p> <p><b>2x4</b></p> <p><b>2x3</b></p> <p><b>1x2</b></p> <p><b>Ave=4</b></p>
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<ul style="list-style-type: none"> <li>• Reviewing the audit charter and functional reporting arrangements</li> <li>• Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements</li> <li>• Actively supporting the quality assurance and improvement programme of internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed annually as part of the Internal Audit Annual Plan report to Committee</li> <li>• Annual Internal Audit self-assessment/5 yearly external assessment reported as part of the Internal Audit Annual Plan report to Committee as is the output of the quality assurance and improvement programme</li> </ul>	<p><b>4x5</b></p> <p><b>2x4</b></p> <p><b>1x2</b></p> <p><b>Ave=4</b></p>

## APPENDIX B

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Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place</li> <li>• Reviewing the effectiveness of performance management arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Covered by the annual review of governance</li> <li>• Review of major projects/programmes included in the Internal Audit Plan</li> <li>• The committee specifically considers the performance management of Internal Audit, Corporate Ant-fraud, Finance and Treasury Management (via regular reports throughout the year) and performance in value for money is considered as part of the Annual Governance Review and Statement.</li> </ul>	<p><b>1x5</b></p> <p><b>2x4</b></p> <p><b>3x3</b></p> <p><b>1x2</b></p> <p><b>Ave=3</b></p>
Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee</li> <li>• Considering how performance in value for money is evaluated as part of the AGS</li> </ul>	<ul style="list-style-type: none"> <li>• Covered by annual review of governance reported annually to the Committee</li> </ul>	<p><b>5x5</b></p> <p><b>1x4</b></p> <p><b>1x3</b></p> <p><b>Ave=5</b></p>
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</li> <li>• Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors</li> </ul>	<ul style="list-style-type: none"> <li>• Annual self-assessment against CIPFA Code undertaken and reported to Committee</li> <li>• Fraud risk Register being developed</li> <li>• Ethical governance arrangements reviewed annually as part of the annual governance review and also included in the risk based Internal Audit Plan as appropriate</li> </ul>	<p><b>2x5</b></p> <p><b>4x4</b></p> <p><b>1x3</b></p> <p><b>Ave=4</b></p>

## APPENDIX B

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<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<ul style="list-style-type: none"> <li>• Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English</li> <li>• Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency</li> <li>• Publishing an annual report from the committee</li> </ul>	<ul style="list-style-type: none"> <li>• Committee meetings are held in public, with the exception of exempt items, and this contributes to the accountability of the authority to the public and stakeholders.</li> </ul>	<p><b>1x3</b></p> <p><b>6x2</b></p> <p><b>Ave=2</b></p>