

# Self-assessment of the impact and effectiveness of the Audit Sub-Committee: South Derbyshire District Council April 2024

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Promoting the principles of good governance and their application to decision making.</b></p>	<ul style="list-style-type: none"> <li>• Supporting the development of a local code of governance.</li> <li>• Providing a robust review of the AGS and the assurances underpinning 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>• Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>• Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>• The authority’s scrutiny arrangements are forward looking and constructive.</li> <li>• Appropriate governance arrangements established for all collaborations and arm’s-length arrangements.</li> <li>• The head of internal audit’s annual opinion on governance is satisfactory (or similar wording).</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Head of Internal Audit opinion satisfactory</li> <li>• Local Code of Corporate Governance reviewed annually and clear and up to date</li> <li>• Committee is undertaking this self-assessment</li> <li>• More training is being undertaken</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Scrutiny arrangements may be under utilised. The Overview &amp; Scrutiny Committee could consider undertaking a self-assessment.</li> <li>• Audit Sub-Committee recommendations do not have traction with Leadership Team in all cases.</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• Include an update on Committee’s review of the Local Code of Corporate Governance as part of the of the Committee’s Annual Report</li> </ul>

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<p><b>Contributing to the development of an effective control environment.</b></p>	<ul style="list-style-type: none"> <li>• Encouraging ownership of the internal control framework by appropriate managers.</li> <li>• Actively monitoring the implementation of recommendations from auditors.</li> <li>• Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>• The head of internal audit’s annual opinion over internal control is that arrangements are satisfactory.</li> <li>• Assessments against control frameworks such as CIPFA’s FM Code have been completed and a high level of compliance identified.</li> <li>• Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Satisfactory opinion from the Head of Internal Audit</li> <li>• CIPFA Financial Management Code review undertaken previously and Strategic Director (Corporate Resources) has advised current review underway</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>
<p><b>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>• Monitoring improvements to risk management.</li> <li>• Reviewing accountability of risk owners for major/strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>• A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Acknowledge the External Auditors recommendation around risk management (ASC 06/03/2024) and await the outcome of the ongoing Section 151 Officer’s review</li> <li>• Acknowledge the Audit Sub-Committee do not currently comply in respect of managing risk</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>

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<p><b>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy of the leadership team’s assurance framework.</li> <li>• Specifying the committee’s 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>• The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Review the effectiveness of assurance providers – e.g. Internal Audit coverage reviewed 2023/24</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Difficult to review the effectiveness on External Audit due to lack of engagement / presence since 2020</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• That the Strategic Director (Corporate Resources) undertakes a review of Internal Audit provision in the future</li> </ul>
<p><b>Supporting effective external audit, with a focus on high quality and timely audit work.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>• Providing good engagement on external audit plans and reports.</li> <li>• Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of liaison between external audit and the authority is satisfactory.</li> <li>• The auditors deliver in accordance with their audit plan, and any amendments are well explained.</li> <li>• An audit of high quality is delivered.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Review and support External Audit plan</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Difficult to review the effectiveness on External Audit due to lack of engagement / presence since 2020</li> <li>• Liaison between External Audit and the authority could be improved</li> <li>• Audit has not been delivered, despite the Council having prepared its statements on time</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>

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<b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b>	<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>• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>• The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <a href="#">Statement on the Role of the Head of Internal Audit</a> (2019).</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Internal Audit and Head of Internal Audit conforms with relevant requirements</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• As above, future review of Internal Audit provision</li> </ul>
<b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b>	<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>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Arrangements to review and assess performance are satisfactory</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>

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<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<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> <li>Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>External audit’s assessments of arrangements to support best value are satisfactory.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li></li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>The ASC has not received a report on the Council’s value for money arrangements due to the audit backlog</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li></li> </ul>
<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<ul style="list-style-type: none"> <li>Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (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>Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>Receive annual fraud update and good connectivity with fraud team (Derby City)</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>The role of “Assessing the effectiveness of ethical governance arrangements for both staff and governors” is conducted via Annual Governance Statement. Are there requirements around regular reporting? Where does this sit?</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>Include an update on Committee’s engagement on fraud as part of the of the Committee’s Annual Report</li> </ul>

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</b></p>	<ul style="list-style-type: none"> <li>• Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>• Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of 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>• The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>• The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>• The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>• The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Annual accounts and Annual Governance Statement are published in accordance with statutory guidelines</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Accounts are published on time, but due to audit backlog, yet to receive auditors view on quality of accounts and adjustments</li> <li>• Uncertain where the remit for “Improving how the authority discharges its responsibilities for public reporting” sits.</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• Publish an annual report</li> </ul>

## OVERALL QUESTIONS TO CONSIDER

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- 1 Does the committee proactively seek assurance over the key indicators?  
Yes, where the current functions are delegated to the Audit Sub-Committee under the Council's Constitution.
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?  
For the areas under the Audit Sub-Committee's responsibilities, yes.  
Concerns that items around governance have been raised in the past and not taken forward, but the Audit Sub-Committee is fulfilling their role in being proactive on these issues.
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?  
Audit cttee recommendations do not have traction with those in leadership team in all cases.

## REPORTING RESULTS

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The outcome of the review can be used to inform the committee's annual report.