

Audit and Risk Assurance Committee Effectiveness Checklist

Introduction

1 Audit and Risk Assurance Committees play a crucial role in supporting the effective governance of central government departments, their agencies and their arm's-length bodies. The main source of guidance for public sector Audit and Risk Assurance Committees is HM Treasury's [Audit and Risk Assurance Committee Handbook. Corporate Governance in central government departments: Code of Practice 2011](#) specifies that Audit and Risk Assurance Committees should be established in all central government bodies and that they should function in accordance with HM Treasury's *Audit and Risk Assurance Committees Handbook*.

2 An effective Audit and Risk Assurance Committee is plays a pivotal role in ensuring that organisations function according to good governance, apply appropriate accounting and auditing standards, and adopt appropriate risk management arrangements. A well functioning Audit and Risk Assurance Committee has the ability to:

- understand the role and activities of the Board;
- discuss with the Board policies and attitudes towards risk and ensure that management act within these parameters;
- critically challenge and review risk registers to provide assurance that the arrangements in place are working within the organisation;
- understand the risk management framework and the respective assignment of responsibilities;
- assume good communications and relationships with both those it seeks briefings from and those it provides assurance to; and
- contribute to the delivery of results and add value to the organisation.

Audit and Risk Assurance Committee Effectiveness

3 In line with good practice, Audit and Risk Assurance Committees should assess their effectiveness annually. A variety of assessment tools exist, from facilitated workshops to short questionnaires. Core principles from HM Treasury's *Audit and Risk Assurance Committee Handbook*, and common themes and good practice we have seen through our range of work with Audit and Risk Assurance Committees across central government, have been condensed to generate a series of prompts that Committees can use to help assess their effectiveness. This checklist can be used as a standalone exercise to consider effectiveness or in conjunction with other methods of assessment.

How to use this effectiveness tool

4 This short checklist condenses the core good practice principles of HM Treasury's *Audit and Risk Assurance Committee Handbook*. Committee members and other regular attendees should consider whether the Committee meets the detailed good practice question – “yes” (or adequately for the entity), “no”, or “comment”. As well as providing an opportunity to comment on an issue, the last of these categories could indicate uncertainty, that there is room to enhance practice in this area, or that the practice is not relevant. As an aide memoire, there is also space to note issues and actions identified at the end of each section.

5 Audit and Risk Assurance Committee members and their committee secretaries will, of course, need to ensure that they are familiar with the full requirements of the Handbook, and that they operate in accordance with them.

David Aldous
National Audit Office 2017

Principle 1

Membership, independence, objectivity and understanding

“The Audit and Risk Assurance Committee should be independent and objective; in addition each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit and Risk Assurance Committee member.”

Question/Checklist	Y/N	Comments
1 Do we have a minimum of three members, all non-executive, at least two of whom, including the IG&A Chair, are non-executive board members?	<input type="radio"/> Yes <input type="radio"/>	
2 Do the Accounting Officer, Director of Finance, the Head of Internal Audit and the External Auditor routinely attend IG&A meetings?	<input type="radio"/> Yes <input type="radio"/>	Accountable Officer at least annually
3 Are we satisfied with the range, frequency and numbers of executives and other participants attending the IG&A meeting? (Numbers of attendees should be sufficient to deal adequately with the agenda, but not so many as to blur the issues).	<input type="radio"/> Yes <input type="radio"/>	Membership reviewed and updated September 2020
4 Is our relationship and communication with the Departmental IG&A effective (or, in the case of a Departmental IG&A its relationship and communications with its group IG&As), particularly in support of the Departmental Governance Statement?	<input type="radio"/> Yes <input type="radio"/>	
5 Does a representative of our Sponsor Department (or, in the case of a Departmental ARAC, a representative of its ALBs) attend our ARAC, where appropriate?	<input type="radio"/> <input type="radio"/>	N/A
6 Are conflicts recorded and declared at the start of every meeting, and is appropriate action taken when relevant matters are discussed?	<input type="radio"/> Yes <input type="radio"/>	
7 Do we have a clear understanding of our terms of appointment, including what is expected of us, how our individual performance will be appraised, the duration of our appointment, training required and how this will be provided?	<input type="radio"/> Yes <input type="radio"/>	<p>Terms of Office regularly reviewed at Remuneration Committee re duration, nature of appointment.</p> <p>The committee Chair has an annual appraisal with the Chair of Governing Body.</p>

Conclusion

Are we performing effectively in this area?	Yes
Are there any actions we want to take to build our effectiveness?	Consider annual appraisals with Members of the committee

Principle 2

Skills

“The Audit and Risk Assurance Committee should corporately own an appropriate skills mix to allow it to carry out its overall function.”

Question/Checklist	Y/N	Comments
8 Are we satisfied that, collectively, we have the range of skills we need to ensure that the Accounting Officer and the Board gain the assurance they need on governance, risk management, the control environment and on the integrity of all elements of the Annual Report and Accounts?	<input type="radio"/> Yes <input type="radio"/>	
9 Do we possess the wider skills necessary to be fully effective (eg in relation to the core business of the organisation, change management, digital strategy, the wider political landscape and other strategically relevant issues)?	<input type="radio"/> Yes <input type="radio"/>	<p>Patient & Public Involvement GB lay joined the committee September 20219 to add the expertise and maintain the non-exec status to committee</p> <p>Community member joined the Committee September to be a conduit from the community perspective</p>
10 Does at least one member have recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and understand good financial management discipline?	<input type="radio"/> Yes <input type="radio"/>	Chair of the committee
11 Where we need additional skills are we empowered to co-opt additional Members or procure specialist advice?	<input type="radio"/> Yes <input type="radio"/>	
12 Do we have effective induction and training arrangements for new members and does the IG&A Chair ensure that all members have an appropriate programme of engagement with the organisation to help build sufficient understanding?	<input type="radio"/> Yes <input type="radio"/>	<p>X1 new member in year</p> <p>Members are required to complete appropriate training and made aware of their requirements at induction</p>

Conclusion

Are we performing effectively in this area?	Yes
Are there any actions we want to take to build our effectiveness?	Q12 –New member to undertake induction as the earliest convenience

Principle 3 and 4

The role and scope of the Committee

“The Audit and Risk Assurance Committee should support the Board and the Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.”

“The scope of the Audit and Risk Assurance Committee’s work should be defined in its terms of reference and should encompass all the assurance needs of the Board and Accounting Officer. Within this the Audit and Risk Assurance Committee should have particular engagement with the work of Internal Audit, risk management, the External Auditor and financial management and reporting issues.”

Question/Checklist	Y/N	Comments
13 Do we, have a clear understanding of the role and responsibilities of the IG&A?	<input type="radio"/> Yes <input type="radio"/>	
14 Does our work programme cover the assurance needs of the Board and Accounting Officer through a balance of agenda items?	<input type="radio"/> Yes <input type="radio"/>	Due to COVID 19 the work plan has had an intensive review to ensure the correct assurances are provided to the committee for further escalation
15 Do we provide insight and strong, constructive challenge to the organisation (including within the Departmental family/group) where required?	<input type="radio"/> Yes <input type="radio"/>	
16 Do we have sufficient understanding of the organisation’s overall control environment, including its governance and any outsourcing arrangements, and review its effectiveness regularly to provide assurance that arrangements are responding to risks within the organisation?	<input type="radio"/> Yes <input type="radio"/>	A deep dive risk session taken place in September with Chair/deputy Chair, CFO and Corporate Assurance Officer. A proposal to be shared with senior leadership team, further development of risk management and how risk management can best be integrated in strategic and operational planning for the 2021/22.
17 Do we use assurance mapping to target the areas of greatest risk in our organisation (including within the Departmental family/group)?	<input type="radio"/> Yes <input type="radio"/>	As above
18 Do we critically review the comprehensiveness and reliability of assurances that we receive from across the organisation?	<input type="radio"/> Yes <input type="radio"/>	linked to q17
19 Are we proactive in commissioning additional assurance work where we have identified a risk or control issue which is not subject to sufficient review?	<input type="radio"/> Yes <input type="radio"/>	

Principle 3 and 4 *continued*

The role and scope of the Committee

Question/Checklist	Y/N	Comments
20 Do we draw the Accounting Officer's and the Board's attention to the results of our work on risk?	<input type="radio"/> Yes <input type="radio"/>	We consider at each meeting issues for escalation to the GB as it arises Assurance forms part of the annual review and Annual Governance Statement (AGS)
21 Do we lead on the assessment of the annual Governance Statement for the Accounting Officer and Board, including the provision of advice on its preparation and scope?	<input type="radio"/> Yes <input type="radio"/>	
22 Do we give sufficient and timely attention to financial management and reporting issues, including the consideration of key accounting policies, estimates and judgements and the quality of the year-end financial statements?	<input type="radio"/> Yes <input type="radio"/>	In addition, going forward (due to the cessation of the Delivery Assurance Committee) the committee will also consider both finance and performance as a collective approach.
23 Do we sufficiently consider and challenge the work of internal audit and external audit?	<input type="radio"/> Yes <input type="radio"/>	
24 Do we track all audit recommendations (internal and external, including any arising from the NAO's VFM work) and hold the organisation to account for their implementation?	<input type="radio"/> Yes <input type="radio"/>	
25 Do we regularly review anti-fraud and corruption arrangements?	<input type="radio"/> Yes <input type="radio"/>	

Principle 3 and 4 *continued*

The role and scope of the Committee

Question/Checklist	Y/N	Comments
26 Do we regularly review the organisation's cyber risk management and consider the appropriateness of the organisation's risk mitigation strategies?	<input checked="" type="radio"/> Yes <input type="radio"/>	The completion of the DSPT would provide these assurances. The CCG are required to comply with Cyber Security Essential Plus from 2020-21. The certification will provide additional assurance (assessment due to take 19/01/2021-05/02/2021)
27 Do we regularly review the organisation's response to the <u>Cabinet Office's Counter-Fraud Standards</u> and consider the sufficiency of this response?	<input checked="" type="radio"/> Yes <input type="radio"/>	Part of the annual self-assessment return
28 Do we ensure that a senior board member has overall responsibility for whistleblowing arrangements within the organisation?	<input checked="" type="radio"/> Yes <input type="radio"/>	
29 Do we regularly review our Terms of Reference to ensure they are consistent with the model Terms of Reference provided in HMT's ARAC Handbook?	<input checked="" type="radio"/> Yes <input type="radio"/>	Terms of reference reviewed and updated September 2020

Conclusion	
Are we performing effectively in this area?	Yes
Are there any actions we want to take to build our effectiveness?	

Principle 5

Communication and reporting

“The Audit and Risk Assurance Committee should ensure it has effective communication with all key stakeholders, for example, the Board, the Group Chief Internal Auditor, Head of Internal Audit, the External Auditor, the Risk Manager and other relevant assurance providers.”

Question/Checklist	Y/N	Comments
30 Is our work effectively and promptly reported to the Board and Accounting Officer after each meeting and are these reports copied to the Head of Internal Audit and the External Auditor?	<input checked="" type="radio"/> Yes <input type="radio"/>	<p>Standard agenda item at each meeting for escalations to the Governing Body</p> <p>IG&A minutes provided to the Governing Body</p> <p>Internal/External Audit not copied into any reports; all GB Reports are available on CCG Website</p>
31 Are our relationships and communications sufficiently well developed with those we seek briefings from and those we provide assurance to, including where risks cross organisational boundaries?	<input checked="" type="radio"/> Yes <input type="radio"/>	
32 Do we provide an Annual Report to the Board, timed to support the Governance Statement; is our report open and honest in presenting our views and opinions from the work we have done during the year; and, is its content consistent with good practice?	<input checked="" type="radio"/> Yes <input type="radio"/>	<p>This Annual self-assessment report is provided to the Governing Body</p>
33 Does the IG&A Chair have regular bilateral with the key attendees (eg the Accounting Officer, Director of Finance, the Head of Internal Audit and the External Auditor)?	<input checked="" type="radio"/> Yes <input type="radio"/>	<p>The Chair has had an annual appraisal</p> <p>Attendance at regular update meetings/agenda set meeting with CFO.</p> <p>The Chair undertakes separate meetings with IA & EA at least annually in advance of IG&A meeting</p>
34 Where appropriate, do we communicate our work across the departmental group?	<input checked="" type="radio"/> Yes <input type="radio"/>	

Conclusion

Are we performing effectively in this area?	<p>COVID 19 has given us the opportunity to review our committee reporting arrangements and how we do things differently.</p> <ol style="list-style-type: none"> 1. Meetings are sharper and more focused. 2. Changes on format of reports (greater clarity on their purpose) 3. Focus on what we require assurances/decisions on
Are there any actions we want to take to build our effectiveness?	