

## New VFM Code: Proper Arrangements Audit Committee Checklist

### Background

The New Code of Audit Practice has increased the prominence and expectations of Audit Committees as those charged with governance. Specifically, one of the indicators of 'adequate arrangements' covers "effective challenge from those charged with governance/audit committee"

The reporting requirements of the Annual Governance Statement are largely unchanged, but with changes in the definition of "adequate arrangements" and the factors auditors are required to report on, it is important that there are no surprises.

We expect the Audit Committee to be sighted on both the definition of adequate arrangements and ensuring that these have been adequately reflected in the internal control environment and, where appropriate, in the Annual Governance Statement.

The table below should be completed by the entity for assurance to the Audit Committee. There is no need to provide detailed descriptions of arrangements, this exercise is designed to ensure that the activity is covered through the organisation's governance and external reporting arrangements.

Is the Arrangement described in the AGS?

- This should be a simple yes or no answer. Possibly supported by a section or page reference in the prior year AGS. This will allow the matter to be tracked and confirmed for 2020/21

Is the Arrangement described in the Annual Report/ Narrative Report?

- Yes or no will suffice, as well as a comment to confirm which section of the Annual Report this is covered in.

If neither, how is the Audit Committee assured, these arrangements are in place?

- Would require some narrative. Examples would be minutes of meetings from other committees, representation by NEDs on other committees, inclusion in the internal audit plan, inclusion in the Strategic Risk Register

Does the Audit Committee have significant concerns over the Arrangements?

- There are two options for this column:
  1. To present the report as a whole for Audit Committee and receive a comment by exception on the overall report
  2. Provide a comment based on Audit Committee activity during the year. For example, the Audit Committee may have specifically requested a deep dive on the robustness of saving plans

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Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services, including					
how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them		Yes - Section 10 Outlook Budget and Funding includes details of funding uncertainties	N/A	Yes -The Corporate Risk Register includes - Level of central government funding 2020 onwards.	
how the body plans to bridge its funding gaps and identifies achievable savings		Yes - Section 10 Outlook Budget includes details of plans to address the future estimated financial challenge. Section 5 on Governance and Risk includes comments on the main corporate risks and mitigation. This includes the future financial sustainability and details the work programme to identify savings and increase income.	N/A	Yes – The Corporate Risk Register includes - Failure to identify savings required by MTFS.	
how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities		Yes - Section 10 Outlook Budget and Funding includes refers to Digital Transformation Strategy and Local Plan and capital investments.	N/A	See above.	
how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system		Section 6 – Corporate Plan and Section 7 Operational Performance – comments of achievement delivered within the financial out-turn that has been achieved.	N/A	The following are included on the Corporate Risk Register that are service related but would have financial implications:  -Loss of planning appeals	

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				-Leisure Centre - Overspend impacts the finances of the Council  -Introduction of Universal Credit  -Business Rates appeals are higher than forecast.  -Ability to achieve efficiencies and compliance from procurement reviews / improvement.  Commercial property investment.	
how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans		Yes - Section 10 Outlook Budget and Funding		See above.	
<b>Governance: how the body ensures that it makes informed decisions and properly manages its risks, including</b>					
how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Yes - 'How the Council Works'		N/A		
how the body approaches and carries out its annual budget setting process	Yes – 'How the Council Works'		N/A		

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how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;	Yes - 'Role of the Chief Finance Officer in Ashfield District Council '		N/A		
how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect. The role of audit committee is identified throughout the AGS.		N/A	Yes -The Corporate Risk Register includes - Ethical Governance – failure/delay to implement changes to the Members' Code of Conduct and recommendations of the Committee on Standards in Public Life (CSPL) and Peer Challenge.	
how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/ conflicts of interests)	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect.		N/A	See above.	
<b>Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:</b>					
how financial and performance information has been used to	Yes - Improvement Actions section included in AGS.		N/A		

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assess performance to identify areas for improvement					
how the body evaluates the services it provides to assess performance and identify areas for improvement;	Yes - 'How the Council Works' includes details of Corporate Plan and development of service plans and details the service performance is monitored through performance boards.		N/A		
how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect details how we engage with Partners and Stakeholders and that performance is monitored through programme boards.	-	N/A		
where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Yes – Appendix 1 The Governance Framework and Review of Effectiveness. Putting the Principles into effect identifies the role of the Efficiency Board.		N/A	Yes -The Corporate Risk Register includes Ability to achieve efficiencies and compliance from procurement reviews / improvement.	

### Supplementary: Adapting to Covid19

Arrangements were adapted to respond to the new risks from 2020-21 onwards as a result of the pandemic, which may have led to significant weaknesses in arrangements.

We would expect how the organisation adapted to Covid19 in the 2020/21 AGS and this may be supplemented by management reports or work performed by Internal Audit.

As a check on outcomes:

- Have any ongoing key performance targets adjusted or undelivered as a result? If so, how were those charged with oversight informed and what is the view for 2021/22 and onwards?

**Response:**

*There has been a substantial review of our corporate risk to reflect the organisational impact of the COVID pandemic. As a result, some risks have seen a significant increase and some new risks were identified. This was reported to Audit Committee in the bi-annual Corporate Risk Register update. The Corporate Risk Strategy includes biannual reporting to Audit Committee on the risk register, therefore ensuring the Audit Committee will have oversight in 2021/22.*

- Where internal governance arrangements were adjusted, did these lead to any breaches in regulations or key controls?

**Response:**

*No - It was reported in the AGS 2019/20 that arrangements were put in place to for urgent decision making during the covid-19 pandemic and an update report including decisions taken was taken to Cabinet in June 2020 for endorsement.*