

# Audit and Risk Committee –for decision

**Meeting agenda title:** NAO Audit and Risk Committee effectiveness tool

**Meeting date:** 20 June 2022

**Time required:** 10 minutes

**Presenter:** Ailsa Beaton

## 1. Objective and recommendation

- 1.1. This report provides the Committee with an overview of the National Audit Office's (NAO's) Audit and Risk Committee effectiveness tool and recommends its use for an effectiveness assessment for the Committee every four years, with a lighter touch review in intervening years.

## 2. Developing a common understanding

- 2.1. The NAO's effectiveness tool was published on 13 May 2022 and can be accessed by [clicking this link](#). It provides a methodology for Audit and Risk Committees to assess their effectiveness and provides aspects of good practice to give Audit and Risk Committees greater understanding and confidence in meeting the requirements of their role.
- 2.2. The effectiveness tool is a comprehensive way for Committees to assess their effectiveness. The tool is very detailed – there are 174 total questions within it. However, the questions are all fairly straightforward and simply ask for a score of 1 to 3.
- 2.3. The tool also has an outcome analyser, where the individual views of each of the Committee members can be collated to generate an overall view of Committee effectiveness and drill down into specific areas of strengths or improvements.
- 2.4. There is no requirement for Audit and Risk Committees to use the NAO's tool to assess their effectiveness, however it will enable us to identify learning from the cross cutting work the NAO do with Audit and Risk Committees across public sector.

## 3. Matters to consider to achieve objective

- 3.1. The Management Board and all of its Sub-Committees conducted an in-house review of its effectiveness during Spring 2021, and the

finding for Audit and Risk Committee was that the Committee was operating quite effectively, with only minimal improvements to be made, largely around a greater variety of subjects being brought to the Audit and Risk Committee for consideration. Following this exercise, the Management Board agreed that it would conduct light-touch reviews of effectiveness every year with a more detailed externally-facilitated exercise every four years.

- 3.2. We intend to propose that this cyclical approach is adopted not just at the Management Board but also at its Committees – resulting in one of the Board or its Committees (Audit and Risk, People and Regulatory) each year undertaking a deeper dive and with the others undertaking a lighter touch approach.
- 3.3. It is therefore recommended that the Audit and Risk Committee utilise the NAO assessment tool on a four year basis, starting this year. In the intervening years, we will undertake a lighter touch assessment, and use this to identify progress on themes identified in the ‘deeper dive’ NAO assessment.
- 3.4. In order to facilitate this, Corporate Governance would, in advance of the Committee completing the tool, identify any questions which are not directly related to our work (given this is a government wide tool.)

#### 4. Areas for challenge

- 4.1. Does this proposed approach give the Audit and Risk Committee sufficient assurance to support its annual consideration of its effectiveness and the system of internal control?

#### 5. Communications considerations

- 5.1. There are no communications considerations for this report.

#### 6. Next steps

- 6.1. The next steps for this work are:
  - If the Committee wishes to use the tool, all Committee members should complete the assessment by the end of August 2022.
  - Corporate Governance can then analyse the responses during September 2022.
  - A report can be brought to the Committee’s October meeting with any proposed outcomes emerging from the analysis.

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**List of Annexes:** N/A

**Publication decision:** This report can be published internally and externally.

**Outcome reached:**