

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

| 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 |
|--|---|--|--|
| Promoting the principles of good governance and their application to decision making. | <ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. | <ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). | <p>Code of governance in place and presented to Committee 06/07/21. Annual review undertaken with last one being April 2023. Audit Committee play an appropriate role in the approval of the AGS and monitor implementation of actions. The Council has effective scrutiny arrangements in place. Review reports from IA and EA including summary findings. HIA opinion on governance is performing well. Report received on partnership governance annually.</p> <p>No proposed actions.</p> |

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| Contributing to the development of an effective control environment. | <ul style="list-style-type: none"> • Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers. | <ul style="list-style-type: none"> • The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. | <p>The latest HIA opinion assessed internal control as performing adequately due to higher number of limited reports and increased number of high recommendations as well as recruitment and capacity challenges.</p> <p>Improved audit recommendation tracking process now in place, with improved engagement from services. Audit Committee calls relevant officers to attend Committee to discuss areas of specific concern and in the cases of limited assurance reports. Assessment against the Financial Model Code remains compliant and was presented to Committee. Information governance report provided six monthly. External Audit reported the Audit Committee as being effective.</p> <p>No proposed action for Audit Committee – actions to address recruitment/capacity addressed elsewhere.</p> |

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| Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks. | <ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/strategic risks. | <ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review. | <p>Annual Risk Management update report presented to Committee includes strategy, update, strategic risk register.</p> <p>Risk Management training provided to the Audit Committee. There were several members of the Committee who were unable to attend.</p> <p>Internal Audit undertaken in 2020/21 Key Control and full 2019/20.</p> <p>As assessed within the Self Assessment of Good Practice Q 9&10 Risk Management arrangements have been covered in Committee reports and is covered within the ToR.</p> <p>Action 16: Committee ensure that Risk Management is covered in the 2024/25 Audit plan.</p> <p>Action 17: Training on risk management is provided to all members of the Audit Committee (including substitutes) who were unable to attend the previous session.</p> |

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| Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively. | <ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team's assurance framework. • Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. | <ul style="list-style-type: none"> • The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. | <p>Combined assurance work undertaken and used to inform the Audit Plan. Results included within the Annual Report for Committee. Review of effectiveness of Committee and IA undertaken. Review of Treasury Management strategy. Review of Internal Audit and External Audit plans. Where limited assurance reports are issued managers are invited to Committee to respond to questions on the report and discuss actions being taken.</p> <p>No proposed actions.</p> |

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| Supporting effective external audit, with a focus on high quality and timely audit work. | <ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations. | <ul style="list-style-type: none"> • The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan, and any amendments are well explained. • An audit of high quality is delivered. | <p>A number of meetings are held between the Chief Finance Officer and/or Financial Services Manager and the External auditors. In addition, the Chief Executive and Monitoring Officer have annual meetings with External Audit. There are well known and documented difficulties sector wide regarding the closure of outstanding Financial Accounts. These are regularly discussed at Audit Committee. The Council will change External Auditor with effect from the 2023/24 financial year from Mazars to KPMG. The quality of the service is monitored through PSAA/FRC. External Audit attend most Committee meetings and submit Progress reports and other reports. Questions asked over coverage and fees.</p> <p>As part of the Self Assessment Q12 an action was made to schedule in a private meeting at least annually.</p> <p>Action 18: Make latest quality report from the FRC available to the Audit Committee.</p> |

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| Supporting the quality of the internal audit activity, in particular underpinning its organisational independence. | <ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit. | <ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA Statement on the Role of the Head of Internal Audit (2019). | <p>Charter is presented to the Audit Committee every 3 years or after any significant change. It is also circulated annually to Committee members.</p> <p>IA conforms with PSIAS as evidenced during recent External Quality inspection.</p> <p>New HoIA assessment carried out against the statement and will be reported to Committee together with the Quality Assurance and Improvement Programme (QAIP). Committee provide challenge over resources and coverage.</p> <p>Bi-annual assessment of effectiveness of Committee and IA.</p> <p>No proposed actions.</p> |

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| Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements. | <ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. | <ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. | <p>Reports on risk and audit strategies and findings received by Committee. Chair of performance scrutiny on the Audit Committee.</p> <p>Receive IA reports on performance management. Recent report received Limited Assurance, Committee monitor the implementation of the actions. IA review major projects as part of the plan and refer to the Audit Committee.</p> <p>As assessed within the Self Assessment of Good Practice Q 9&10 arrangements for these have been covered in Committee reports.</p> |
| Supporting the development of robust arrangements for ensuring value for money. | <ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. | <ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. | <p>No proposed actions.</p> <p>The annual value for money opinion report from the external auditors to those charged with governance is presented in full to Members. No issues have been raised. Ad-hoc reports can be reported to Committee.</p> <p>Any VFM work completed or issues raised by IA reported to Committee.</p> |
| | | | <p>No proposed actions.</p> |

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| 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"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. | <ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. | <p>Receive 6 monthly reports on fraud including fraud risks annually. Report includes the counter fraud action plan.</p> <p>Culture and ethics – were covered in a values and behaviour audit in 2019 but not covered directly since. Does not fully consider the areas set out in the Code of Practice particularly exploring opportunities for financial savings through enhanced fraud detection and prevention.</p> <p>Counter fraud training on the training plan for Members and the slides for the staff training have been shared with Audit Committee members.</p> <p>Action 19: The Internal Audit plan for 2024/25 considers how assurance can be evidenced over culture, ethics and counter fraud arrangements.</p> |

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| Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability. | <ul style="list-style-type: none"> Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. | <ul style="list-style-type: none"> The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. The authority has published its financial statements and AGS in accordance with statutory guidelines. The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. | <p>Audit Committee meeting agendas are published on the Councils website along with the minutes. Meetings are open to the public. Annual report regarding the work of the Committee produced and presented to Full Council. The Statement of Accounts, the External Audit ISA 260 & Management Letters are published in line with guidelines as far as possible.</p> <p>The AGS is published and underpinned with supporting information and correlates to the IA and EA findings. Actions are followed up and reported.</p> <p>No proposed actions.</p> |

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

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