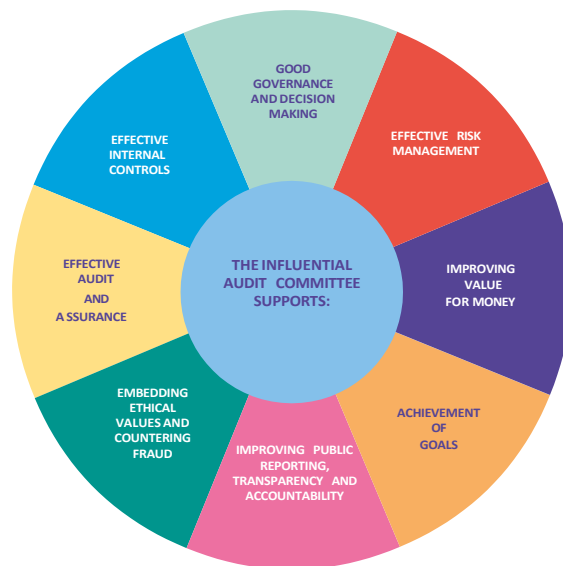


# Evaluating the impact and effectiveness of the audit committee

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   |
|---|---|--|---|
| <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 Governance Framework.</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 Governance Framework.</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><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>Governance Framework has been produced in consultation with GAC Chair &amp; Deputy Chair and presented to Governance and Audit Committee (GAC).</li> <li>Annual Governance Framework Review workshop attended by responsible Officers and GAC members to update the Governance Framework Document (GFD). Progress on previous actions reviewed and new actions identified. GFD used to create the AGS, which is presented to GAC in both draft and final form to provide an opportunity for members to suggest improvements.</li> </ul> <p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>Lack of working with partner Governance and Audit committees to review governance arrangements.</li> </ul> |

**Contributing to the development of an effective control environment.**

- 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.
- 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.
- Strengths**
- Committee is presented with Audit Wales reports along with Organisation Response Forms where recommendations have been made.
  - Reports from Internal Audit and External Regulators are standing items on each GAC Agenda.
  - Audit Wales reports are presented regularly to GAC. Where recommendations are made, organisational response forms (ORFs) are completed by the responsible service/officers and are presented alongside the original report.
  - ORFs remain with GAC until the committee is satisfied that recommendations have been addressed satisfactorily.
  - Special meetings/workshops arranged where urgent matters require a response – e.g. Audit Wales findings re: Asset Valuations
  - The Chair of the Committee has direct access to the Chief Executive and may request meetings with Senior Officers as required.

|  |   |  |   |
|--|---|--|---|
| <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, e.g. 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><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register is a standing item on the agenda of all GAC meetings. Updates presented on changes to risk scores or additions to the Risk Register.</li> <li>• The Committee recommends the consideration of new additions to the Risk Register as appropriate – e.g. Recruitment and Retention.</li> <li>• Risks assigned to services and are the responsibility of the relevant Corporate Lead Officer.</li> <li>• GAC Deputy Chair worked with officers on the development of the new Risk Management Policy and Framework which has now been presented to GAC.</li> </ul> |
| <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><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register is a standing item on the GAC agenda.</li> <li>• Internal audit / external audit – GAC supports the services and helped with internal culture and function.</li> <li>• Supports IA to maintain an assurance map to inform the audit plan.</li> <li>• External Auditors – ORF ‘s are presented to GAC.</li> </ul>   |

**Supporting effective external audit, with a focus on high quality and timely audit work.**

- 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.

- 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.

**Strengths**

- Audit Wales attend all GAC meetings and present a quarterly update on their work. Chair meets with Audit Wales during pre-meetings and can raise any concerns as necessary.
- Committee provides their views on External Audit plans and reports during committee meetings.
  - Consideration of Organisation Response Forms supports implementation of recommendations.
- GAC is supportive of the Internal Audit service and is keen to ensure their recommendations are implemented.
  - GAC Chair meets with Audit Wales as part of quarterly pre-meeting and as required.
  - AW Contact inbox in place to provide for single point of contact for Audit Wales.
  - GAC chair attended Audit Wales training event.

**Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.**

- 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.

- 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).

**Strengths**

- GAC receives regular reports from Internal Audit, with quarterly progress reports presented to the committee.
  - GAC has the opportunity to assess the effectiveness of Internal Audit arrangements and provides constructive challenges during meetings to support improvement – e.g. IA Strategy and Plan and IA Charter reviewed annually by GAC.
  - IA's Self-Assessment and External Quality Assessment and resulting QAIP are reported to GAC to support continuous improvement for an effective function.
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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.**

- 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.

- 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.

**Strengths**

- Annual Governance Framework Review and preparation of Annual Governance Statement provide opportunity to review how governance arrangements support achievement of sustainable outcomes.
- GAC consider the annual Self-Assessment in both draft and final form prior to presentation to Council and publication
- Supported Internal Audit to include additional performance measure to align with the Council's goals – % of audits that support a Corporate Wellbeing Objective

**Actions**

- GAC would like to be more proactive. Develop a more positive forward-looking response and form better relationship with officials
- Understanding risk – outlining what risks are not on the risk register and why they are not included
- what is our risk appetite as a local authority – need more open dialogue over the risk management

|   |   |  |   |
|---|---|--|---|
| <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><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Both Audit Wales and Internal Audit have presented reports on value for money</li> <li>• Internal Audit work – assess effectiveness and quality of services within the Council to include VFM.</li> </ul> <p><b><u>Actions</u></b></p> <ul style="list-style-type: none"> <li>• The frequency of reports could be increased</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><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Councillors abide by the Code of Conduct for Members and Officers the Code of Conduct for Local Government Employees. Both Councillors and Members act in accordance with the Nolan Principles. Monitoring Officer ensures compliance.</li> <li>• GAC supported internal audit counter fraud risk assessment and receive the CMIA’s Annual Counter-Fraud report.</li> </ul> <p><b><u>Actions</u></b></p> <ul style="list-style-type: none"> <li>• Fraud training for Members – look at possibility of rolling out the current mandatory training for employees to Members.</li> <li>• Skills gap analysis would be a useful exercise</li> </ul> |



**Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.**

- 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.
- 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.

**Strengths**

- Governance Workshop attended by GAC members, Senior Officers & Corporate Director to maximise awareness of Governance Framework, Framework Review and AGS.
- Governance Framework Review Workshop carried out annually to ensure AGS is underpinned by robust evaluations and provide for accurate assessment.
- Agenda, Reports and Minutes for Council, Cabinet and Committee meetings are published on the Council website.
- Reports are available in Welsh and English to ensure compliance with the Welsh Language Standards.
- GAC – work has been done to ensure easier read of documents / reports

**Actions**

- Promoting effective reporting – proactive in our communication
- Governance of Community council – look further into this

## OVERALL QUESTIONS TO CONSIDER

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- 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?
- Recommendations – proactive in reviewing the risk register – action – look further into this

## REPORTING RESULTS

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