

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>Promoting the principles of good governance and their application to decision making.</p>	<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). 	<ul style="list-style-type: none"> Separate consideration of the AGS Separate AGS for the OPCC and the Force Considers internal audit reports on Corporate Governance and considers recommendations. Corporate Governance arrangement in place – review of CGF, Effectiveness review carried out. Terms of reference reviewed annually. Attendance at Regional best practice meetings which is attended by all regional audit committee chairs.

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.
- Regular report considered on internal audit recommendations.
- Audit recommendations only closed upon agreement by JARAP.
- Internal audit recommendations assigned to relevant managers who are responsible and accountable for their implementation.
- Management responses are scrutinised by members of the Committee and challenged where appropriate.
- Recommendations not signed off until panel members are satisfied that they have been fully and properly discharged and evidence is provided to demonstrate this

Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.

- 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.
- A robust process for managing risk is evidenced by independent assurance from internal audit or external review.
- Risk management updates are received at each meeting.
- Movements in risk scores and addition of new risks are reported to the Panel.
- Full risk registers are reported periodically to the panel.
- Proposed closed are scrutinised by the panel.
- Risks are assigned to individual risk owners who are accountable and responsible for the risk.
- Internal Audit can provide an impartial view on the strength of risk management across the region as they audit all PCCs and forces across the East Midlands
- Attendance at best practice forums
- Movement in risk score/changes in risk scores are identified by panel members.
- Track the movements in due dates. When deadlines are missed, this is captured and expanded upon

<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p>	<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. 	<ul style="list-style-type: none"> • Gains assurance from the Deputy Chief Constable, respective CFOs from the force and the OPCC, internal audit, external audit and various staff and police officers. • Standard agenda items ensure the main areas of assurance (internal audit recommendations, risks, internal and external audit progress) are updated, reviewed and considered on a regular basis. • Head of internal audit conclusion provides significant assurance. • Annual Governance Statement describes and reports upon all of the assurance provided to the panel and is considered as a separate agenda item. • Responsible senior managers are brought into the panel to provide advice and response to queries from panel members on any areas of particular concern.
<p>Supporting effective external audit, with a focus on high quality and timely audit work.</p>	<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. 	<ul style="list-style-type: none"> • Receive regular updates from EA. • Regular updates on the progress against the backstop and kept informed of the process. • Audit plans presented to the committee.

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 GIAS 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).
 - Receive an annual internal audit report.
 - Ensures the attendance of internal audit at every meeting.
 - Meets privately with the internal auditor at least once a year.
 - Has a direct line to Internal Audit if required on any matters.
 - Considers the internal audit plan on an annual basis.
 - Receives a regular update from Internal Audit as a standard agenda item.
 - CFOs meet regularly with Internal Audit to discuss work plan, progress and so on.
 - Annually, the audit committee must review the results of the Head of Internal Audit's assessment of conformance against GIAS in the UK public sector, including any action plan
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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.
- Risks relating to major projects are reported through to JARAP where appropriate.
- Internal audit work programme looks at areas of highest risk.
- Internal audit review previous audits the following year where they have been given 'limited' or 'no' assurance.
- Regular reports from Internal and External audit.
- Attendance at all meeting of internal audit, external audit, Deputy Chief Constable, CEO, CFOs and other relevant police officers and staff.
- Lead members attend various meetings such as H&S and feedback to the JARAP.
- JARAP have the opportunity to scrutinise and provide recommendation relating to closed risk.

<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<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. 	<ul style="list-style-type: none"> • Value for money judgements are contained within the Annual Governance Statement. • Annual Governance Statement is considered as a separate agenda item by the panel. • Briefings received by the panel on the budget and other financial matters including regional collaboration and the force operating model. • Members have an in-depth look into the draft financial accounts to gain an understanding and gain assurance of VFM.
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<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. 	<ul style="list-style-type: none"> • Regular agenda item on counter fraud and corruption. • Briefings organised on fraud. • Internal audits give due consideration to fraud in any work it carries out. • Declarations made about actions taken to minimise fraud and corruption through the account’s closedown process. • Any instances of fraud or corruption have been brought to the attention of JARAP and any learning identified and implemented. • Anti-Fraud and Corruption policy reviewed at JARAP.

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.
- All JARAP meetings are public meetings and documents from previous meetings are publicly available.
 - An annual report is prepared by the Chairman of the Panel, and this is reported to the meeting and to the internal Corporate Governance Board and the PCP.
 - Promoting different types of communication with reporting e.g., communicating in different languages.

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.