

Evaluating the impact and effectiveness of the audit committee using CIPFA's checklist

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 has been 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 CIPFA (Chartered Institute of Public Accountancy and Finance) 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.

This tool was used for discussion and evaluation of the strengths and weakness of Epping Forest District Council’s 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>Strength: Formal work programme for the committee is reviewed at each meeting. Various reports received by the committee throughout the year ensures the key indicators for this section are covered. This includes the Annual Governance Statement (AGS), Internal Audit’s annual report, and its regular progress reports, and Local Code of Governance review. The Committee has its own training programme, which is open to all Members.</p> <p>No weaknesses.</p>

<p>Contributing to the development of an effective control environment.</p>	<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>Strength: Chief Internal Auditor’s annual opinion for 2021/22 was ‘satisfactory’. Internal Audit (IA) Plan is approved annually by the Audit and Governance Committee (which covers core control frameworks) and progress monitored at each meeting. Also, at each meeting the audit recommendation tracker is scrutinized and challenged by the Committee.</p> <p>Action plan: The 2021/22 AGS identifies the need for the Council to ensure it is compliant with CIPFA’s Financial Management Code. The results of which need to be communicated to the Committee</p>
<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p>	<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>Strength: The Committee receives and challenges risk reports which are submitted to each meeting. This includes review of the corporate risk register, approval of the risk management strategy and updates on recent improvements to the risk management framework. Members have also received risk management training. Opinion on risk included in the Chief Internal Auditor’s annual report.</p> <p>As operational risk registers are reinvigorated during 2023/24 a rolling review program of these will be introduced to the Committee’s workplan.</p>

<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. 	<p>Framework of assurance is defined in the Council’s AGS and Local Code of Governance, which is overseen by the Committee.</p> <p>Committee reviews and challenges reports from the different assurance providers including Internal and External Audit and risk management. Committee is being kept abreast of issues regarding delays in getting the Statement of Accounts signed off by External Audit (EA)</p> <p>The effectiveness of Internal Audit was reported to the November 2021 Audit and Governance Committee following the External Quality Assessment.</p>
<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. 	<p>Weakness: As identified in the 2021/22 AGS – nationally there has been an ongoing issue with councils being unable to get their final accounts audited. This is the same for Epping Forest. The Council continues to work with its External Auditors to resolve the current issues and a timetable is being agreed. The Audit and Governance Committee continues to be kept abreast on progress.</p>
<p>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</p>	<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>Strength: Internal Audit progress is reported to each Committee meeting. Annual review of the Internal Audit Charter and quality and assurance improvement programme, ensuring compliance with the Public Sector Internal Audit Standards (PSIAS). Mandatory five year independent External Quality Assessment of Internal Audit reported November 2021.</p>

<p>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<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>Strength: The Committee achieves this through assessment of risk, Internal Audit work and External Audit findings. The involvement of the Committee in the agreement and content of the annual Plan also enables key risks to be adequately monitored.</p> <p>Action Plan: The Council is updating its arrangements for performance management. The Committee could consider if additional assurances are required.</p>
<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. 	<p>Strength: This is undertaken as part of the Statement of Accounts process, value for money work undertaken and reported on by External Audit (EA). This, in turn, along with other assurance providers (such as Internal Audit and risk management) informs the Annual Governance Statement which is considered by the Committee before recommending to Full Council for approval.</p> <p>Weakness: However, there have been significant delays in the External Audit process.</p>

<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. 	<p>Strength: The Committee approves the annual Corporate Fraud Strategy and Plan, and annual report. And receives regular updates on the work of the Corporate Fraud Team.</p> <p>In line with good practice the Committee annually reviews the Council’s anti-fraud and corruption strategy and its approach to whistleblowing</p> <p>Action Plan: Consider how best the Committee can support the Council’s ethical framework</p>
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</p>	<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>Strength: Formal committee structure in place, standard report, published on Council website.</p> <p>The Committee considers what assurances it requires regarding partnerships when approving the Internal Audit Plan as it includes partnerships as a theme.</p> <p>Action Plan: The Committee to ensure it produces annually a report of its work following its hiatus during 2022/23 while waiting for the new CIPFA audit committee guidance. To be underpinned by a periodic skills and knowledge analysis of the Committee.</p>