

REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE: EVALUATION REVIEW

November 2019

Part 2

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| Assessment Key | |
| 5 | Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable. |
| 4 | Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area. |
| 3 | The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps. |
| 2 | There is some evidence that the committee has supported improvements, but the impact of this support is limited. |
| 1 | No evidence can be found that the audit committee has supported improvements in this area. |

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment :5 – 1 See key above |
|--|--|--|--|
| Promoting the principles of good governance and their application to decision making | Supporting the development of a local code of governance | Local Code of Governance reviewed and updated annually | 5 |

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| | Providing robust review of the AGS and the assurances underpinning it | Audit Committee have reviewed AGS through Audit Panel in previous years – latterly there have been few issues and Audit Panel has not felt to be necessary | 5 |
| | Working with key members to improve their understanding of the AGS and their contribution to it | Overview of AGS and process included in Audit Committee Annual Report | 4 |
| | Supporting reviews/audits of governance arrangements | Audit Committee participate in reviews of Local Code of Governance, Constitution, receipt of internal and external audit reviews, risk management arrangements, performance management arrangements | 5 |
| | Participating in self assessments of governance arrangements | Self-assessments carried out on effectiveness of audit committee and internal audit: review if similar self-assessments available for other areas e.g. risk | 4 |

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| | Working with partner audit committees to review governance arrangements in partnerships | N/A to date but will review in the light of the ERDF partnership currently under development | N/A |
| Contributing to the development of an effective control environment | Actively monitoring the implementation of recommendations from auditors | All audit recommendations reported to committee and reviewed regularly: where recommendations not implemented senior managers are invited to Audit Committee to explain reasons why | 5 |
| | Encouraging ownership of the internal control framework by appropriate managers | All internal audit reports are brought to Audit Committee, where significant issues are identified then senior managers are invited to Audit Committee. Chief Executive, Monitoring Officer and Chief Finance Officer attend Audit Committee regularly and understand Committee's commitment to internal controls | 5 |

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| | Raising significant concerns over controls with appropriate senior managers | All internal audit reports are brought to Audit Committee, where significant issues are identified then senior managers are invited to Audit Committee. Chief Executive, Monitoring Officer and Chief Finance Officer attend Audit Committee regularly and understand Committee's commitment to internal controls | 5 |
| Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks | Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking | Risk management arrangements are reviewed annually, corporate risks and Audit Committee risks are reviewed twice per year by Audit Committee, internal audit of risk management on programme of regular significant audits. No benchmarking | 4 |
| | Monitoring improvements | Corporate risks are monitored twice per year: senior managers required to explain where improvements have not occurred | 5 |

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| | Holding risk owners to account for major/strategic risks | Corporate risks are monitored twice per year: senior managers required to explain significant risks. Additional reports may be requested e.g. Customer Connect implementation | 5 |
| Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively | Specifying its assurance needs, identifying gaps or overlaps in assurance | Annual review of internal audit plan, overview of external audit plan | 4 |
| | Seeking to streamline assurance gathering and reporting | Annual review of internal audit plan, overview of external audit plan | 4 |
| | Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit | Annual review of effectiveness of internal audit and of risk management arrangements. Receipt of external audit updates: contract review of external audit carried out by PSAA Ltd nationally, review of external audit practices carried out by National Audit Office nationally: opportunity for Audit Committee to contribute to these reviews | 5 |

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| Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence | Reviewing the audit charter and functional reporting arrangements | Annual approval of audit plan and charter, internal audit monitoring against plan to all Audit Committee meetings | 5 |
| | Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements | Annual review of effectiveness of internal audit against best-practice checklist. | 5 |
| | Actively supporting the quality assurance and improvement programme of internal audit | Annual review of effectiveness of internal audit against best-practice checklist. | 5 |
| Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements | Reviewing how the governance arrangements support the achievement of sustainable outcomes | Through review of Local Code of Governance and AGS process | 4 |
| | Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place | Major projects will be incorporated into corporate risk process, where relevant Audit Committee will request additional reports e.g. Customer Connect | 5 |

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| | Reviewing the effectiveness of performance management arrangements | Annual review of performance management process, regular internal audit reports | 5 |
| Supporting the development of robust arrangements for ensuring value for money | Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee | Explicit part of external audit report; included in internal audit reviews | 5 |
| | Considering how performance in value for money is evaluated as part of the AGS | <p>Medium Term Financial Plan, budgeting and monitoring process identifies areas where overspend may indicate issues with value for money: AGS process to include more explicit review.</p> <p>Customer Connect process reviewing all significant processes to review if more efficient methods are appropriate</p> | 4 |
| Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks | Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) | Annual review of fraud arrangements to Audit Committee, processes under constant review by managers | 5 |

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| | Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks | Annual review of fraud arrangements, review of fraud risk undertaken by officers where significant changes in processes or new projects are undertaken | 5 |
| | Assessing the effectiveness of ethical governance arrangements for staff | Personal Qualities Framework review as part of annual staff appraisal process, recent review of personal qualities framework as part of Customer Connect and part of Oct 2018 staff consultation process | 5 |
| Promoting effective public report to the authority's stakeholders and local community and measures to improve transparency and accountability | Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English | Annual Report produced in user-friendly format. Statement of Accounts reviewed to try to make clearer following “Telling the Story” guidance | 4 |
| | Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency | Part of review of Local Code of Governance through AGS process: not explicit. External Audit VFM considers how organisation takes properly informed decisions. Internal review to be more explicit | 4 |

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| | Publishing an annual report from the committee | Annual Report from Audit Committee reported to Annual Council each May, published on website as part of Committee papers | 5 |