

Audit Committee – Effectiveness Review 2023

On 2 March 2023, members of the Audit Committee met to conduct a self-assessment to evaluate impact and effectiveness over the previous year. This was carried out based on the evaluation tool provided with the CIPFA Position Statement 2022 on Audit Committees in Local Authorities. The review results will be utilised to support planning of the Committee’s future work programme and training plans. This is the first effectiveness review conducted by the Audit Committee.

Prior to the effectiveness review, in February members also attended a bespoke workshop delivered by CIPFA’s Governance adviser on the roles and responsibilities of the Audit Committee.

CIPFA guidance states that 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 broad areas that the Committee may support are illustrated below and formed the basis for this review.

Figure 1: The influential audit committee



The table below summarises the Committee’s evaluation of their impact, with any actions identified for improvement or further development.

Areas where the audit committee can have impact by supporting improvement	Strengths of the Audit Committee	Areas for Improvement / Further Development	Proposed Actions
<p>Promoting the principles of good governance and their application to decision making.</p>	<ul style="list-style-type: none"> • Providing a robust review of the Annual Governance Statement and the assurances underpinning it. • Supporting reviews/audits of governance arrangements. • Strong working relationships, confidence and openness with partner agencies, auditors etc. • Carries out an annual effectiveness review. • Produces an annual Audit Committee report. • Agreed a revised Terms of Reference and change of title to Audit and Governance Committee to take effect from 2023/24. 	<ul style="list-style-type: none"> • Continuous development required to maintain and enhance knowledge and understanding of role of the Committee and governance. • The Local Code of Corporate Governance is overdue for review. • There is currently no independent member of the Audit Committee, which is recommended in the CIPFA Position Statement. 	<p>1.</p> <ol style="list-style-type: none"> a) Review and update of Local Code of Corporate Governance to be completed in 2023. b) Head of Governance to carry out a recruitment process for an independent member for the Committee. c) Training and development plan for 2023/24 to include appropriate coverage of audit and governance issues for members of this Committee.
<p>Contributing to the development of an effective control environment.</p>	<ul style="list-style-type: none"> • Actively monitoring the implementation of management actions arising from audit findings. • Able to raise concerns over controls with appropriate senior managers. 	<p>-</p>	<p>-</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"> • Annual review of the risk management framework and its effectiveness. • Monitoring improvements to risk management. • A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	<p>-</p>	<p>-</p>

Areas where the audit committee can have impact by supporting improvement	Strengths of the Audit Committee	Areas for Improvement / Further Development	Proposed Actions
<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 effectiveness of assurance providers, e.g., internal audit and external audit. • Pre-meetings take place for the Chair of the Audit Committee with internal audit, independently of officers. 	<ul style="list-style-type: none"> • Provide opportunity for pre-meeting with external audit as well as internal audit. • The Committee should consider any additional actions to be taken in order to ensure review of the leadership team’s assurance framework and identifying gaps or overlaps in assurance. 	<p>2.</p> <p>a) Head of Governance to liaise with external auditors regarding opportunity to join a pre-meeting with the Committee Chair.</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. • The auditors deliver in accordance with their plan and any changes are explained. 	<ul style="list-style-type: none"> • As there will be a change in the external auditor (from Deloitte to KPMG) during 2023/24, the Committee will need to ensure that the focus on supporting effective, timely and high-quality audit work continues with the new auditor. 	<p>-</p>
<p>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</p>	<ul style="list-style-type: none"> • Internal audit service is provided by Barnsley MBC under a service level agreement. • Pre-meetings take place for the Chair of the Audit Committee with internal audit, independently of officers. • Committee reviews the internal audit charter and plans. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge, and supporting improvements. 	<p>-</p>	<p>-</p>

Areas where the audit committee can have impact by supporting improvement	Strengths of the Audit Committee	Areas for Improvement / Further Development	Proposed Actions
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<ul style="list-style-type: none"> The Committee ensures that assurance regarding value-for-money arrangements is included in the assurances received; this is particularly assessed and covered in the external auditor’s annual report. Considers how performance in value for money is evaluated as part of the AGS. 	<ul style="list-style-type: none"> The Committee identified that reports on outcomes of benchmarking exercises are not currently brought to the Committee as a matter of routine. 	<p>3.</p> <p>a) Head of Governance to arrange for Benchmarking Exercise results to be reported to the Audit & Governance Committee in 2023/24.</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 fraud risks and the effectiveness of the organisation’s strategy to address those risks. The Committee are satisfied that there are effective arrangements for countering fraud and corruptions risks across the Authority. 	<ul style="list-style-type: none"> Identified that there could be potential for doing some further work around ethics and values. Discussed whether reviewing and increasing any pre-employment checks would be useful. 	<p>4.</p> <p>a) Governance team will include a session around ethics and values on the agenda for the Members’ away day scheduled for Nov 2023.</p> <p>b) Officers to review the question regarding pre-employment checks and vetting as additional due diligence to help combat fraud and corruption risks.</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"> The Committee reviews and prioritises the work of the Authority in ensuring that annual accounts, Annual Governance Statement (AGS) and annual report are all published in line with statutory guidance and ahead of deadlines. The Committee publishes an annual report. 	<ul style="list-style-type: none"> Further development of members’ understanding of the AGS and their contribution to this would be useful. 	<p>5.</p> <p>a) Governance team will ensure that reporting and transparency, including the AGS in particular, is appropriately covered in the Member Learning and Development Strategy for 2023/24.</p>

Conclusion

Audit Committee members evaluated their impact and effectiveness over the year just ended. The review identified actions for continuous improvement; progress on these will be monitored in the forthcoming year.

An effectiveness review will be completed annually.