

Action planning – February 2023

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



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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). 	<p>The Council has a local code of Corporate Governance and this forms the basis of the Annual Governance Process. The Code is scheduled to be reviewed as part of that process.</p> <p>A review of Scrutiny has been undertaken by the Centre for Public Scrutiny and an improvement action plan is in place.</p> <p>The Council has a range of partnerships and Local Authority Trading Companies. The Committee’s visibility of the assurance over the governance arrangements needs to be improved. The development of the assurance framework will support this. Action 1 Assurance Mapping to include partnership and LATCo arrangements.</p> <p>The 2020/21 Internal Audit Opinion was level 2 this provides a “Substantially Complete and Generally Effective but with some improvements required level” of assurance.</p>

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<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>The 2020/21 Internal Audit Opinion was level 2 this provides a “Substantially Complete and Generally Effective but with some improvements required level” of assurance.</p> <p>The review of the CIPFA Financial Management Code is being presented to the Committee in March 2023 to provide assurance against compliance with the code. There is will be an action plan to develop opportunities for improvement.</p> <p>Significant control weaknesses that are identified during the course of internal audits and the implementation of associated recommendations are being actively monitored by 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>Risk Management arrangements have been reviewed by Internal Audit against the IIA maturity model. The Council is moving in a positive direction in terms of risk maturity and has an action plan to develop.</p> <p>The Risk Management Group has undertaken a self-assessment on their effectiveness. This has been shared with the Committee and they are monitoring the implementation of the action plan.</p> <p>There is stronger oversight of risk ownership by Executive.</p>

Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.

- 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.
- The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.

The Audit Committee have been involved in scrutiny and challenge of the Internal and External Audit plans.

Action 2 Formal Assurance Mapping

The Audit Committee has reviewed the Internal Audit self-assessment against the Public Sector Internal Audit Standards which found that the service was ‘generally’ conforming.

The Risk Management Group has undertaken a self-assessment on their effectiveness. This has been shared with the Committee and they are monitoring the implementation of the action plan.

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.

There are regular meetings between the external auditor and the officers of the authority. The external auditor attends the meeting of the Committee **Action 3 Audit Committee to meet privately with the External Auditor**

There have been significant delays to finalizing the annual audit of the accounts. This has been due to two factors beyond the authority and auditors’ control. This has been explained to the Committee and they have been regularly updated on the position.

The Committee oversees the implementation of External Audit recommendations.

<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>The Audit Committee has reviewed the Internal Audit self-assessment against the Public Sector Internal Audit Standards which found that the service were ‘generally’ conforming.</p> <p>Action 4: Head of Internal Audit to provide assurance that they and the organization are operating in accordance with the CIPFA Statement on the Role of the Head of Internal Audit following the move to an in-house service.</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>The LGA peer challenge report and follow-up provide strong assurance that the governance arrangements are effective.</p> <p>The internal audit of performance management found that satisfactory levels of assurance.</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>In their Audit Results Report of March 2022 External Audit found that there are no risks of significant weaknesses in the Council’s Value for Money arrangements.</p> <p>Action 5: The AGS should ensure that it explicitly reflects the authority’s evaluation of how it secures value for money.</p> <p>The Audit Committee monitor the implementation of the issues raised by external audit in their value-for-money work.</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 Code of Practice on Managing the Risk of Fraud and Corruption (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>The Audit Committee receives assurance on fraud risks in the Head of Internal Audit annual report to the Committee.</p> <p>Action 6: The Committee should be sighted on the outcome of the review against the Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>Action 7: The Committee should receive assurance on the ethical governance arrangements for both staff and members.</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>Like most Local Authorities Wokingham Borough Council has experienced delays in meeting the statutory financial reporting deadline. The reasons for this are well understood.</p> <p>The Council publishes its financial statements and AGS and once the audit is complete will do so.</p> <p>The AGS is supported by an evaluation of the authority’s governance arrangements and updates are provided to the Committee on the actions to strengthen the Council’s governance.</p> <p>The Audit Committee publishes an Annual Report on its work to Council and the public.</p>

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.

Appendix E Q Ref	Action	Owner	Target
3, 4, 9,11	<p>Review Terms of Reference to ensure that:</p> <ul style="list-style-type: none"> • the Committee does not hold or exercise any decision-making powers • includes <ul style="list-style-type: none"> ○ Internal Control Arrangements ○ Ethics and Standards ○ Counter fraud and corruption • Assurance Framework • Remove complaints and compliments 	RB/AM	Start of new municipal year
5, 6, 7, 8, 25, 27, 28	<p>As part of the annual report include:</p> <ul style="list-style-type: none"> • the role and purpose of the Committee, • escalation of issues • report on outcome of this self-assessment and action plan • how the Committee has considered all the areas in the Model ToR • Identify how the Committee is adding value • Report any recommendations for improvement of governance risk and control 	RB/AM	March 23
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12	Committee to meet privately with HiA and External Auditors	MS	June 23
13	Recruit an additional independent Member	RB/AM	July 23
15, 16, 17	Undertake a formal knowledge, skills and training needs analysis	AM	September 23
20	Formally obtain feedback on the Audit Committee's performance	AM	June 23
25	Committee to formally record recommendations for the improvement of governance, risk and control.	RB	September 23
Appendix F	Promote the principles of Good Governance via the AGS process and review of LCCG.	POE	September 23
	Formal Assurance Mapping including Partnership and LATCo arrangements.	CH	September 23

	Head of Internal Audit to provide assurance that they and the organization are operating in accordance with the CIPFA Statement on the Role of the Head of Internal Audit following the move to an in-house service.	CH	June 23
	The Committee should be sighted on the outcome of the review against the Code of Practice on Managing the Risk of Fraud and Corruption.	CH	June 23
	The Committee should receive assurance on the ethical governance arrangements for both staff and members via the Annual Governance Statement process. The AGS should ensure that it explicitly reflects the authorities evaluation of how it secures value for money.	POE	September 23

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