

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE**

**DATE: 02 MARCH 2023**

**REPORT TITLE: AUDIT COMMITTEE – REVIEW OF EFFECTIVENESS**

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**1. Purpose of Report**

- 1.1 This report updates the Audit Committee on best practice requirements to carry out a self-assessment and evaluation of the effectiveness of the Audit Committee.
- 1.2 The results of this assessment would potentially feed into any Member training requests and ultimately the Committee's Annual report.
- 1.3 Attached is an example of a process using questions devised by CIPFA and the Committee are asked for their views on options to take this assessment forward.

**2. Recommendations**

The Audit Committee is asked to comment on the options for carrying out a self-assessment review of the Committee's effectiveness.

**3. Background / Issues for Consideration**

- 3.1 As part of best practice and to support good governance the Audit Committee should carry out a self-assessment review of its effectiveness on a periodic basis. Ideally this should be annually based on available resources and a review has not been completed since the first two years of the Authority's operation. It is felt appropriate therefore to carry out a review in 2023 and identify any areas for investment and improvement.
- 3.2 The rest of this report sets out some context and indicative areas for review with a key question review attached at Appendix 1.
- 3.3 The review will be facilitated by the engagement lead from Internal Audit and the Committee is asked to consider options for how they would like to carry out this review process –
  - As a full Committee with officer support (Physically or Virtually)
  - As a sub-committee with officer support (Physically or Virtually)
  - Through the Chair and Vice Chair with officer support (Physically or Virtually)
- 3.4 It is intended the review should take place between April and May to feed into the Annual Report of the Committee which would be prepared for an Audit Committee meeting in June or July.

#### 4. Report Narrative / Main Context

- 4.1 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'.
- 4.2 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



- 4.3 The table includes examples of what the audit committee might do to have impact in each of these areas.
- 4.4 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.
- 4.5 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
<b>Promoting the principles of good governance and their application to decision making.</b>	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance.</li> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>The authority's scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations and arm's-length arrangements.</li> <li>The head of internal audit's annual opinion on governance is satisfactory (or similar wording).</li> </ul>	

<b>Contributing to the development of an effective control environment.</b>	<ul style="list-style-type: none"> <li>• Encouraging ownership of the internal control framework by appropriate managers.</li> <li>• Actively monitoring the implementation of recommendations from auditors.</li> <li>• Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>• The head of internal audit's annual opinion over internal control is that arrangements are satisfactory.</li> <li>• Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified.</li> <li>• Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>
<b>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</b>	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>• Monitoring improvements to risk management.</li> <li>• Reviewing accountability of risk owners for major/strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>• A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>
<b>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</b>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy of the leadership team's assurance framework.</li> <li>• Specifying the committee's assurance needs, identifying gaps or overlaps in assurance.</li> <li>• Seeking to streamline assurance gathering and reporting.</li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>
<b>Supporting effective external audit, with a focus on high quality and timely audit work.</b>	<ul style="list-style-type: none"> <li>• Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>• Providing good engagement on external audit plans and reports.</li> <li>• Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of liaison between external audit and the authority is satisfactory.</li> <li>• The auditors deliver in accordance with their audit plan, and any amendments are well explained.</li> <li>• An audit of high quality is delivered.</li> </ul>

<b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b>	<ul style="list-style-type: none"> <li>• Reviewing the audit charter and functional reporting arrangements.</li> <li>• Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>• Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>• The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <a href="#">Statement on the Role of the Head of Internal Audit</a> (2019).</li> </ul>
<b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b>	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>
<b>Supporting the development of robust arrangements for ensuring value for money.</b>	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>• Considering how performance in value for money is evaluated as part of the AGS.</li> <li>• Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>• External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>
<b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b>	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014).</li> <li>• Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>

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**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.
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4.6 Views of the Committee are therefore sought to finalise the review process.

### **Consultation**

5 Proposal has been consulted with Senior Management and the Chair of the Audit Committee. Ongoing consultation will continue with the Audit Committee throughout the year.

### **Other Options Considered**

6 Not applicable.

### **Risk Management/Assessment**

7 The review is drawn up on a risk-based approach, in line with CIPFA best practice.

### **Public Sector Equality Duties**

8 Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

### **Finance Implications, including economic impact assessment where appropriate:**

9 No direct implications.

### **Legal Implications:**

10 No direct implications.

### **Climate Change Implications**

11 No direct implications.

### **Land/property Implications**

12 No direct implications.

### **Human Resources Implications:**

13 No direct implications.

### **Appendices:**

None

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#### Background Papers

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 70 Redcliff Street, Bristol BS1 6AL; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk).