

Evaluating the Effectiveness of the Audit Committee

Assessment key

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| 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 |

Blackburn with Darwen Borough Council Audit & Governance Committee Effectiveness Assessment

| 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 |
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| Promoting the principles of good governance and their application to decision making. | <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p> | <p>The Committee reviews the draft AGS prior to approval. Also reviews the Risk Management Annual Report and annual opinions from Internal Audit (IA) and External Audit which support the AGS.</p> <p>Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. Committee receives key findings and opinions from individual reviews supporting the overall opinion.</p> <p>Partnership arrangements are not covered by the current terms of reference. However the Committee does receive a report on the Council's Significant Partnerships Register.</p> <p>The Chair the Committee is a member of the Primary</p> | 4 |

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| | | <p>Assurance Group, which reviews the AGS and related assurance reports.</p> <p>Actions: Committee training to be arranged on the new CIPFA/SOLACE Good Governance Framework 2016, Annual Governance Statement and the Council Code of Corporate Governance.</p> | |
| Contributing to the development of an effective control environment. | <p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p> | <p>Regular Internal Audit Progress Report presented to Committee includes percentage of recommendations implemented and commentary re outstanding 'must' level recommendations.</p> <p>The Committee reviews the summary of MAF red priority areas of concern.</p> <p>The Committee requests Directors or senior managers to attend meetings, as and when appropriate, to provide explanations and updates on significant audit concerns.</p> <p>The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.</p> | 4 |
| Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks. | <p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p> | <p>The Committee receives the annual risk management report which includes key events and achievements for the previous year and key developments for the next 12 months.</p> <p>The corporate risk register summary identifies risk owners at Director/senior officer level and tracks changes to risk scores. Regular reports are presented to Committee on the corporate risk register and risk</p> | 4 |

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| | | management support activity. Audit Committee members attended January 2016 risk management refresher workshop. | |
| 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. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. | Regular reporting of planned and actual coverage by Internal and External Audit. Committee challenge opportunities for reliance on IA work by External Auditors and receives Internal and External Audit and Risk Management progress reports. The IA report includes audits in progress and in-year review of resources and achievement of plan. IA have reviewed and provided assurance on risk management arrangements in 2015/16. | 4 |
| Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence. | Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements. | The Head of Audit & Assurance has right of access to and regular briefings for the Chair of Audit Committee. The Committee receives and approves the IA Charter and annual strategic statement, including reporting and monitoring arrangements, supporting the IA annual plan. Annual External Auditors Audit Findings Report includes commentary re IA as part of assessment of financial control arrangements. Audit Committee reviewed Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA performance and quality assurance. Committee approved Peer review approach for external assessment of IA compliance with Public Service Internal Audit Standards and received the overall opinion and a | 5 |

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| | | summary of the findings and themes from the Peer review action plan at its April meeting. | |
| Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements. | Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements. | <p>Work on this area is included in Internal and External Audit plans on a risk assessment basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work is carried out during the year on request by Directors.</p> <p>Internal audit progress report includes a summary of MAF red priority areas of concern.</p> <p>Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting.</p> <p>Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements.</p> <p>The IA plan also includes specific KPI audits.</p> | 4 |

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| 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. Considering how performance in value for money is evaluated as part of the AGS. | Standing Financial Instruction 3, Procurement and the Payment of Creditors, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors audits consider on compliance with these requirements. Audit Committee receives the External Audit Combined External Audit Value for Money and Audit Findings Report. | 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 CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2). 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 members. | A Counter Fraud Policy and Strategy is in place (which was reviewed and updated in 2015/16 in accordance with latest CIPFA guidance) supported by Counter Fraud Policy Framework which includes Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. Internal Audit progress report includes oversight of counter fraud activity and results. Audit Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance and have approved the Counter Fraud Plan as part of Internal Audit annual plan 2016/17. Actions: <ul style="list-style-type: none"> • An Annual Fraud Report to be prepared and presented to the Audit & Governance Committee for consideration and approval. • Provide the Committee members with training on the Counter Fraud arrangements and key fraud risks. | 4 |

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| <p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p> | <p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> | <p>Audit Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website.</p> <p>Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions. Consideration of Partnership arrangements is not currently included in the Committee's terms of reference. However a corporate Partnership Governance Framework is in place, which includes a Governance Checklist and the Committee receives a report on the Council's Significant Partnerships Register.</p> | <p>4</p> |