



**Dr J Ives**  
**Chief Executive**  
South Derbyshire District Council,  
Civic Offices, Civic Way,  
Swadlincote, Derbyshire DE11 0AH.

[www.southderbyshire.gov.uk](http://www.southderbyshire.gov.uk)  
**@SDDC on Twitter**  
**@southderbyshiredc on Facebook**

**Please ask for Democratic Services**  
Phone (01283) 595722/ 595889  
Democraticservices@southderbyshire.gov.uk

Our Ref  
Your Ref

Date: 29 August 2023

Dear Councillor,

### **Audit Sub-Committee**

A Meeting of the **Audit Sub-Committee** will be held at **Council Chamber**, Civic Offices, Civic Way, Swadlincote on **Wednesday, 06 September 2023** at **16:00**. You are requested to attend.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J Ives'.

Chief Executive

#### **Non-Grouped**

Councillor A Wheelton (Chair)

#### **Labour Group**

Councillor D Shepherd (Vice-Chair) and  
Councillors A Jones and A Tilley

#### **Conservative Group**

Councillor N Atkin





## AGENDA

### Open to Public and Press

- 1 Apologies.
- 2 To receive the Open Minutes of the Meetings held on:  
  
21 June 2023 4 - 8
- 3 To note any declarations of interest arising from any items on the Agenda
- 4 To receive any questions by members of the public pursuant to Council Procedure Rule No. 10.
- 5 To receive any questions by Members of the Council pursuant to Council Procedure Rule No. 11.
- 6 INTERNAL AUDIT PROGRESS REPORT 2023-24 9 - 26
- 7 AUDIT SUB COMMITTEE SELF ASSESSMENT 27 - 187
- 8 COMMITTEE WORK PROGRAMME 188 -  
189

### Exclusion of the Public and Press:

- 9 The Chairman may therefore move:-  
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 10 To receive any exempt questions by Members of the Council pursuant to Council Procedure Rule No. 11.

AUDIT SUB-COMMITTEE

21 June 2023

**PRESENT:**

**Non-Grouped**

Councillor A Wheelton (Chair)

**Labour Group**

Councillors A Jones, D Shepherd and A Tilley.

**Conservative Group**

Councillor N Atkin

**In Attendance**

Councillor R Pearson

AS/01 **APOLOGIES**

The Sub-Committee was informed that no apologies had been received.

AS/02 **TO RECEIVE THE OPEN MINUTES**

The Open Minutes for Sub-Committee Meetings held on, 16 March 2022, 22 June 2022, 07 September 2022, 07 December 2022 and 08 March 2023 were taken as read, approved, and signed by the Chair.

It was noted that the representatives from Central Midlands Audit Partnership be referred to as Audit Manager and Group Auditor and that future minutes reflected the presenter's title accordingly.

AS/03 **DECLARATIONS OF INTEREST**

The Sub-Committee was informed that no declarations of interest had been received.

AS/04 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

The Sub-Committee was informed that no questions from members of the public had been received.

AS/05 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

The Sub-Committee was informed that no questions from Members of the Council had been received. [Page 4 of 189](#)

**MATTERS DELEGATED**

AS/06 **INTERNAL AUDIT ANNUAL REPORT 2022/23**

The report was presented to the Sub-Committee by the Audit Manager highlighting the statement of internal audit standards. The report concluded with a satisfactory status for the authority and there were no issues identified in a summary of 77 items.

Members raised questions regarding the not applicable assurance rating applied to the Sheltered Housing – Careline 2022-23 item in the report. The Audit Manager confirmed that this had been an advisory consultancy piece of work requested by the Head of Service and used for Housing strategies. There was no internal audit on this piece of work and therefore no assurance rating or recommendations.

**RESOLVED:**

***1.1 The Sub-Committee considered and noted the Annual Internal Audit Opinion for 2022/23 as per Appendix 1 to the report.***

AS/07 **INTERNAL AUDIT PROGRESS REPORT 2022/23**

The report was presented to the Sub-Committee by the Group Auditor highlighting the dashboard and progress chart within the report and the numbers of completed items and ratings. It was noted that some additional responses had been received from Officers since the publication of the report and the Group Auditor provided a summary of key audits and recommendations in the report.

The Chair thanked the Group Auditor for the report and noted that outstanding recommendations from the last meeting would be submitted to the Finance and Management Committee and the Strategic Director (Corporate Resources) confirmed that Heads of Service would be invited to attend the next meeting to report their updates.

Councillor Atkin sought clarification regarding the status of the Electoral Services audit and the sign off for the Returning Officer fees. The Group Auditor confirmed that the status related to visibility of evidence that a recommendation had been implemented and did not necessarily indicate that the item had not been completed. The Monitoring Officer informed the Committee that the Returning Officer fee would be set by statute or by internal calculation based on fees from other local authorities. Fees would be authorised by the Elections Manager and the Chief Executive.

Councillor A. Tilley requested clarity on the communication of further Member training sessions. The Chair noted that attendance at training courses should be encouraged through the Group Leaders and the Monitoring Officer confirmed that the updated Member Code of Conduct had been adopted at the meeting of Annual Council on 18 May 2023. The Strategic Director (Corporate Resources) confirmed that a monthly newsletter would provide notification of all training sessions with dates. The Chair noted that attendance registers should be made available to Group Leaders to track Member training.

Councillor A. Tilley raised a query regarding the risks reported in the Grounds Maintenance audit.

The Chair informed Members that as the Head of Service for the area was not present a request for further information would be submitted through the Strategic Director (Corporate Resources). Members agreed that follow-up information should be provided by the Head of Operational Services.

The Group Auditor confirmed that the risk rating for the Grounds Maintenance audit was due to the weakness of the current paper based system.

Councillor A. Tilley requested further information about the Rosliston Lease. The Group Auditor responded that the consultancy period had started for a new lease for a period of 30 years. The Chair clarified that the consultation results would be presented to the appropriate Committee.

**RESOLVED:**

- 1.1 The Sub-Committee considered the report of the Audit Manager, as per Appendix 1 to the report and issues identified were to be subject to a follow-up report as appropriate.***
- 1.2 The Committee approved a request for follow-up information on all outstanding risks for Grounds Maintenance from the Head of Operational Services.***

AS/08 **LOCAL CODE OF CORPORATE GOVERNANCE REVIEW**

The Monitoring Officer presented the report to the Sub-Committee confirming that there were no changes to the Corporate Governance Review report.

**RESOLVED:**

- 1.1 The Sub-Committee approved the updated Local Code of Corporate Governance as detailed in Appendix 1 to the report.***
- 1.2 The Sub-Committee approved progress regarding on-going work to maintain sound governance as detailed in the report.***

AS/09 **DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23**

The Monitoring Officer presented the draft document which had been updated following last year's Annual Governance Statement. The Sub-Committee was asked to approve the current year's draft document and to note that last year's document had been published.

**RESOLVED:**

***The Sub-Committee approved for Audit the Draft Annual Governance Statement for 2022/23 , as per Appendix 1 of the report.***

AS/10 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the work programme and informed the Sub-Committee that it would be updated to include the completion of accounts and the number of audit days.

The Strategic Director (Corporate Resources) confirmed that the audit would take place in August with sign-off expected in December/January for 2021-2022. It was clarified that the accounts for 2022-2023 had not been published due to outstanding information from third parties and that the publication date was expected to be mid-July and a notice had been issued to that effect.

Members raised a query regarding the public inspection of the accounts. The Strategic Director (Corporate Resources) confirmed that the accounts would be available for inspection at the Civic Offices for a period of 28 days after publication.

**RESOLVED:**

***The Sub-Committee considered and approved the updated work programme.***

AS/11 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

**RESOLVED:**

***That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.***

AS/12 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

The Sub-Committee was informed that no questions from Members of the Council had been received.

The Meeting terminated at 17:10 hours

COUNCILLOR A WHEELTON

CHAIR

---

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 06</b>
<b>DATE OF MEETING:</b>	<b>6 SEPTEMBER 2023</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>AUDIT MANAGER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ADRIAN MANIFOLD</b> <a href="mailto:Adrian.manifold@centralmidlandsaudit.gov.uk">Adrian.manifold@centralmidlandsaudit.gov.uk</a> <b>(01332 643281)</b>	<b>DOC:</b> h/CJ/governance/AGS/2022/AGS committee report
<b>SUBJECT:</b>	<b>INTERNAL AUDIT PROGRESS REPORT 2022/23</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

---

**1.0 Recommendations**

That the report of the Audit Manager (Appendix 1) is considered, and any issues identified are subject to a follow-up report as appropriate.

**2.0 Purpose of Report**

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit as at 21<sup>st</sup> August 2023.

**3.0 Detail**

3.1 The report of the Audit Manager is detailed in a report which is attached.

**4.0 Financial Implications**

4.1 None

**5.0 Corporate Implications**

5.1 None directly

**6.0 Community Implications**

6.1 None directly

**7.0 Background Papers**

7.1 None.



# South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 6<sup>th</sup> September 2023



South Derbyshire  
District Council



## Contents

## Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	5
RECOMMENDATION TRACKING	9
HIGHLIGHTED RECOMMENDATIONS	10

## Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

## Contacts

Richard Boneham CPFA  
Head of Internal Audit (DCC) &  
Head of Audit Partnership  
c/o Derby City Council  
Council House  
Corporation Street  
Derby, DE1 2FS  
Tel. 01332 643280  
richard.boneham@derby.gov.uk

Adrian Manifold CMIA  
Audit Manager  
c/o Derby City Council  
Council House  
Corporation Street  
Derby  
DE1 2FS  
Tel. 01332 643281  
adrian.manifold@centralmidlandsaudit.co.uk

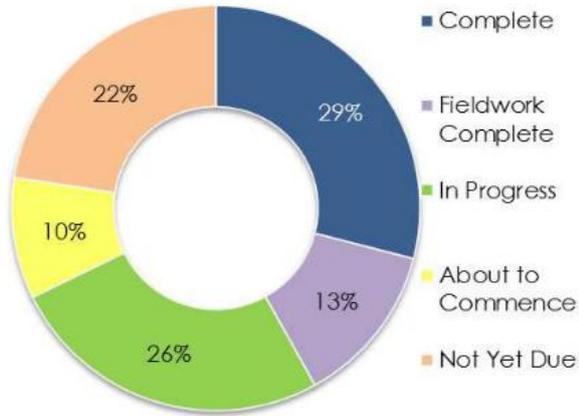
Mandy Marples CPFA, CCIP  
Audit Manager  
c/o Derby City Council  
Council House  
Corporation Street  
Derby  
DE1 2FS  
Tel. 01332 643282  
mandy.marples@centralmidlandsaudit.co.uk



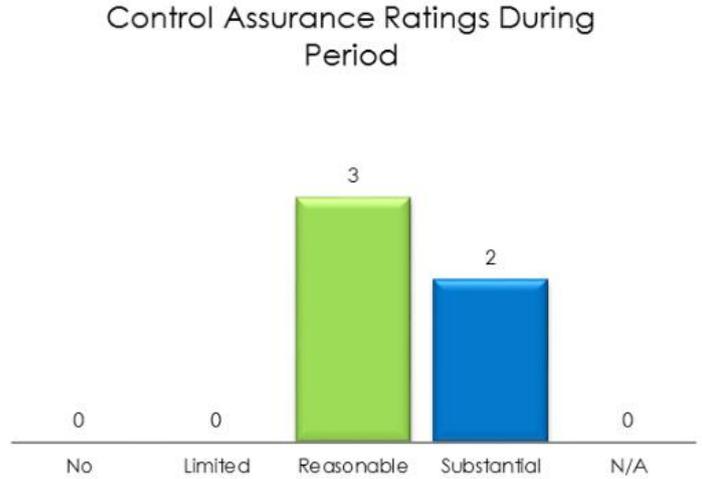
central midlands audit partnership  
*Providing Excellent Audit Services in the Public Sector*

# AUDIT DASHBOARD

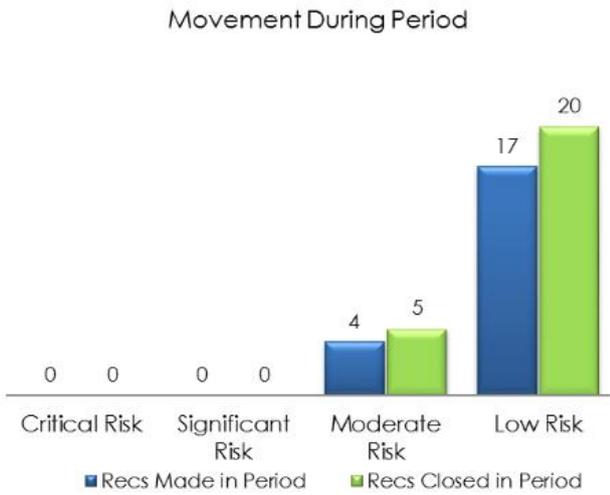
## Plan Progress



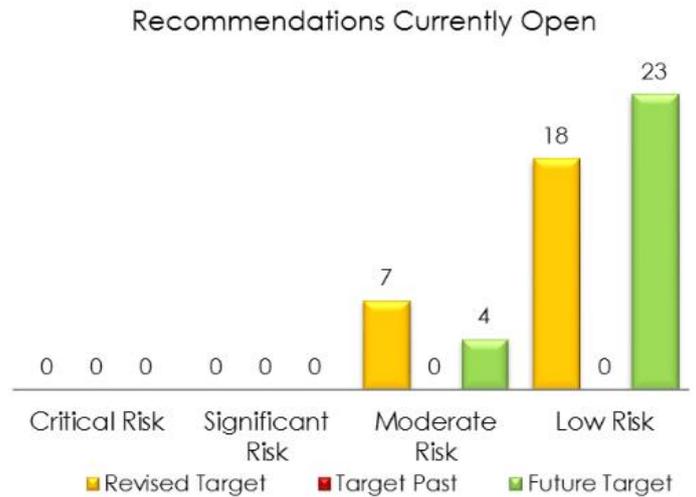
## Jobs Completed in Period



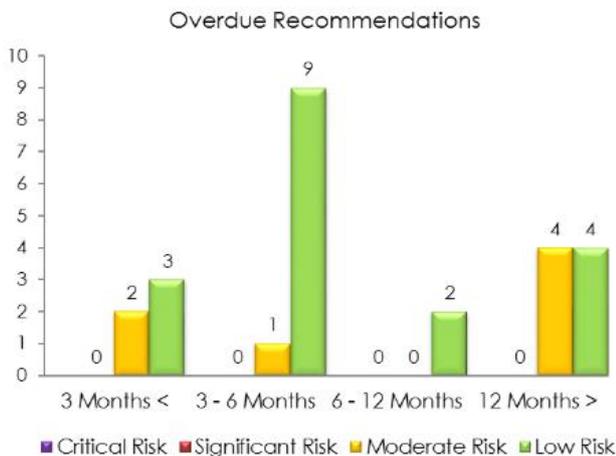
## Recommendations



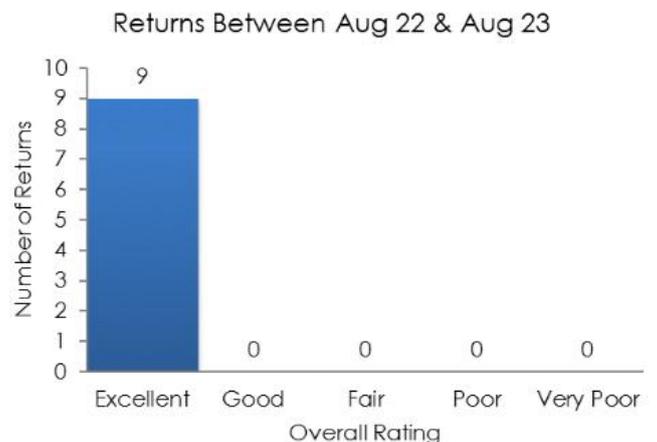
## Recommendations



## Recommendations



## Customer Satisfaction



## South Derbyshire District Council – Audit Progress Report

### AUDIT PLAN

#### Progress on Audit Assignments

The following tables provide Audit Sub-Committee with information on how audit assignments were progressing as at 21<sup>st</sup> August 2023.

2023-24 Assignments	Status	% Complete	Assurance Rating
Leisure Centre Management - Tender 2023-24	In Progress	25%	
Bank House-Sabines Yard Project	In Progress	35%	
Grant Certification 2023-24	In Progress	20%	
Revenues Systems 2023-24	Not Allocated		
Housing Benefit & Council Tax Support 2023-24	Not Allocated		
IT Key Controls 2023-24	In Progress	15%	
Health & Safety 2023-24	Not Allocated		
Trade Waste (Route Optimisation)	Allocated	10%	
Fleet Management 2023-24	Not Allocated		
Planning & Building Control Fees 2023-24	Allocated		
Section 106 Agreements 2023-24	Draft Report	95%	
Climate Change 2023-24	Not Allocated		
Warden Controlled Services 2023-24	In Progress	50%	
Rosliston Forestry Centre 2023-24	Not Allocated		
Housing Repairs (2023-24	Allocated		
Housing Safety Inspections 2023-24	In Progress	15%	
Improvement Grants 2023-24	Not Allocated		
Rent Accounting 2023-24	In Progress	45%	
Visitor Centre	In Progress	10%	
B/Fwd Assignments	Status	% Complete	Assurance Rating
Procurement 2022-23	Draft Report	95%	
Safeguarding 2022-23	Final Report	100%	Substantial
Capital Programme 2022-23	Final Report	100%	Substantial
Revenues Systems 2022-23	Final Report	100%	Substantial
Mobile Device Management	Final Report	100%	Reasonable
Data Quality & Performance Management 22-23	Final Report	100%	Reasonable
Street Cleansing 2022-23	Draft Report	100%	Substantial
Development Management 2022-23	Draft Report	95%	
Parks & Open Spaces 2022-23	Final Report	100%	Reasonable
Sheltered Housing - Careline 2022-23	Final Report	100%	N/A
Land Charges 2022-23	Draft Report	95%	
Organisational Culture & Ethics 2022-23	Final Report	100%	Reasonable

#### Plan Changes

None

# South Derbyshire District Council – Audit Progress Report

## AUDIT COVERAGE

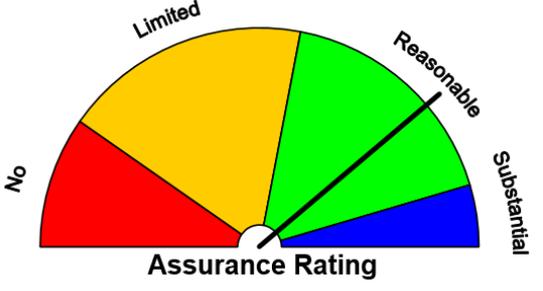
### Completed Audit Assignments

Between 1<sup>st</sup> June 2023 and 21<sup>st</sup> August 2023, the following audit assignments have been finalised.

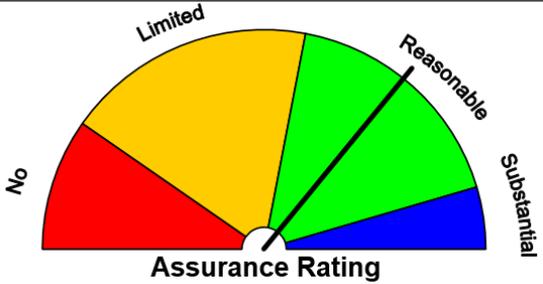
Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Organisational Culture & Ethics 2022-23	Reasonable			1	1	0%
Mobile Device Management	Reasonable			1	7	13%
Parks & Open Spaces 2022-23	Reasonable			2	4	0%
Street Cleansing 2022-23	Substantial				3	0%
Revenue Systems 2022-23	Substantial				2	0%

Organisational Culture & Ethics 2022-23	Assurance Rating			
	No	Limited	Reasonable	Substantial
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Council has a set of meaningful ethical values which are underpinned by relevant policies and guidance which are available to staff and Councillors.	10	9	0	1
The Council's ethical values are known, used and understood throughout the authority.	2	2	0	0
Senior Officers and Councillors understand the ethical framework, actively encourage and promote high standards and are recognised by staff and others as having high personal /professional standards of conduct.	2	1	1	0
<b>TOTALS</b>	<b>14</b>	<b>12</b>	<b>1</b>	<b>1</b>
Summary of Weakness	Risk Rating	Agreed Action Date		
The Council had not undertaken a staff survey, which was specifically geared towards the Council's culture, ethics and values.	Moderate Risk	30/11/2023 Future Action		
Information relating to the stages of a complaint on the Council's website was different to the stages of a complaint within the Complaints Procedure 2021.	Low Risk	30/09/2023 Future Action		

## South Derbyshire District Council – Audit Progress Report

Mobile Device Management				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure the Council has implemented a mobile device management infrastructure commensurate with Council security policies and general cyber security best practices.	22	13	0	9
<b>TOTALS</b>	<b>22</b>	<b>13</b>	<b>0</b>	<b>9</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
Only 23 signed mobile device personal agreement forms could be located on SharePoint, despite there being 217 devices with recent check-in activity in Intune during May 2023.		Low Risk	29/09/2023 Future Action	
A small number of devices with recent check in activity were not compliant with some of the requirements of the SDDC_Corp_Policy compliance policy. Furthermore, actions for non-compliant devices were not comprehensive to safeguard Council data on the device or restrict access to Council applications.		Low Risk	29/09/2023 Future Action	
There were over 30 devices enabled in Intune/Azure Active Directory (AAD) with no check-in activity in the previous 12 months, raising concerns around the management of stale devices. Furthermore, the Council had not been adhering to the monthly checks as defined in the 'No Usage of mobile devices' section of the Mobile Device Process Master.		Low Risk	29/09/2023 Future Action	
The Council's compliance policies and configuration profiles specific to password requirements did not align with the National Cyber Security Centre (NCSC) recommendations (strong password over a PIN or use of biometric authentication features).		Low Risk	29/09/2023 Future Action	
A small number of devices running Android 9 had recent check-in activity in Intune. Furthermore, the Council's Intune compliance policy required devices to be running Android 10 or newer, yet Android 10 is now also unsupported from a security perspective.		Low Risk	29/09/2023 Future Action	
A data matching exercise found devices listed as enabled and operational in both the MDM (Intune) and the CMDB, were associated with former employees, raising concerns around data accuracy, device retrieval and device wiping.		Low Risk	29/09/2023 Future Action	
The Council was not routinely backing up its Intune configurations.		Low Risk	29/09/2023 Future Action	
The Council was not consistently adhering to the voice and data monitoring commitments in the Mobile Device Process (February 2022), meaning excessive usage had gone unchallenged and unresolved.		Moderate Risk	Already Implemented	

## South Derbyshire District Council – Audit Progress Report

Parks & Open Spaces 2022-23				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Appropriate controls are in place for ensuring play areas are adequately maintained and safe for use.	6	3	3	0
The Council has established a robust plan to address its published Tree, Woodlands and Hedgerow targets and policies, which are subject to monitoring and review.	13	4	9	0
<b>TOTALS</b>	<b>19</b>	<b>7</b>	<b>12</b>	<b>0</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
Defects and actions identified within Park Keepers visual inspection site reports were not consistently uploaded to the inspection repair sheet. Therefore, there was no clear way of identifying if actions identified had been completed.		Low Risk	01/04/2024 Future Action	
The Council did not have any documented procedures, instructing officers in the event of a playground or park incident.		Low Risk	01/01/2024 Future Action	
The Authority had no long-term contingency and succession arrangements in place in the event that the Tree Officer were absent for long periods of time or retired. It was also apparent that the majority of actions within the Tree, Woodland and Hedgerow Management Plan, were the responsibility of the Tree Officer, representing a single point of failure risk.		Moderate Risk	30/04/2024 Future Action	
At the time of audit, there were 1126 inspections overdue, this included general inspection, risk assessments and those raised by customer complaints/comments requiring further enquiry.		Moderate Risk	30/04/2024 Future Action	
We determined that between the period April 2021 to June 2023, seven cases were found to have involved either unauthorised works or damage to trees with preservation orders. At the time of audit, we could not determine the nature of the works or what action, if any had been taken by the Council in response to unauthorised works.		Low Risk	31/03/2024 Future Action	
Due to a lack of resources the Council was unable effectively implement, monitor and review actions within the Tree, Woodlands and Hedgerow and the plan itself.		Low Risk	31/03/2024 Future Action	

## South Derbyshire District Council – Audit Progress Report

Street Cleansing 2022-23					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
Street Cleansing work is appropriately planned and managed.	9	6	3	0	
Appropriate Health and Safety measures have been put in place and are working in practice.	6	6	0	0	
<b>TOTALS</b>	<b>15</b>	<b>12</b>	<b>3</b>	<b>0</b>	
Summary of Weakness		Risk Rating	Agreed Action Date		
Procedures to provide direction on how to establish the Street Cleansing work plans had not been documented.		Low Risk	01/01/2024 Future Action		
The Council continued to rely on inefficient, manual processes for managing Street Cleansing tasks and programmed work.		Low Risk	31/10/2024 Future Action		
The Street Cleansing service did not currently utilise a formal route optimisation planner.		Low Risk	31/10/2024 Future Action		

Revenue Systems 2022-23					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
To ensure that income due for Council Tax is suitably collected and properly recorded.	13	11	2	0	
To ensure that income due for National Non-Domestic Rates is suitably collected and properly recorded.	13	12	1	0	
<b>TOTALS</b>	<b>26</b>	<b>23</b>	<b>3</b>	<b>0</b>	
Summary of Weakness		Risk Rating	Agreed Action Date		
Transactions on the Council Tax payment suspense account were not all cleared in a timely manner.		Low Risk	30/11/2023 Future Action		
Upon review of the Council's policies and procedures in respect of write-off authorisation, we identified inconsistencies relating to the limits of approval required for writing off debts.		Low Risk	31/12/2023 Future Action		

## South Derbyshire District Council – Audit Progress Report

### RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
18-Aug-23	Revenues Systems 2022-23	Substantial			2
17-Aug-23	Street Cleansing 2022-23	Substantial			3
14-Aug-23	Parks & Open Spaces 2022-23	Reasonable			6
02-Aug-23	Organisational Culture & Ethics 2022-23	Reasonable			2
02-Aug-23	Mobile Device Management	Reasonable			7
31-May-23	Data Quality & Performance Management 22-23	Reasonable			3
05-May-23	Safeguarding 2022-23	Substantial		2	
25-Apr-23	Capital Programme 2022-23	Substantial			1
08-Mar-23	Electoral Services 2020-21	Reasonable		1	
28-Feb-23	Records Management 2022-23	Reasonable			2
31-Oct-22	Rosliston Forestry Centre 2022-23	Reasonable		3	
24-Oct-22	Officers Expenses & Allowances 2022-23	Reasonable		2	
22-Aug-22	Homelessness 2021-22	Substantial		1	
02-Aug-22	Income Streams	Reasonable		3	
31-Mar-22	Revenues Systems 2021-22	Substantial		1	
10-Mar-22	Rent Accounting 2021-22	Reasonable		3	
23-Feb-22	Climate Change	Substantial		1	
15-Sep-21	Insurance	Substantial			1
16-Jun-21	Housing Repairs 2020-21	Limited		2	
22-Oct-20	Grounds Maintenance 2019-20	Reasonable		4	
06-Aug-20	Bereavement Services 2019-20	Reasonable		2	
		<b>TOTALS</b>		<b>25</b>	<b>27</b>

**Action Due** = The agreed actions are due, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

**Being Implemented** = The original action date has now passed and the agreed actions have yet to be completed. Internal Audit has obtained status update comments from the responsible officer and a revised action date.

**Future Action** = The agreed actions are not yet due, so Internal Audit has not followed the matter up.

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Safeguarding 2022-23						2
Electoral Services 2020-21					1	
Rosliston Forestry Centre 2022-23					1	2
Officers Expenses & Allowances 2022-23					1	1
Homelessness 2021-22						1
Income Streams						3
Revenues Systems 2021-22						1
Rent Accounting 2021-22					1	2
Climate Change						1
Housing Repairs 2020-21					2	
Grounds Maintenance 2019-20						4
Bereavement Services 2019-20					1	1
	<b>TOTALS</b>				<b>7</b>	<b>18</b>

It is pleasing to note that there has been a marked improvement in the resolution of some long-standing audit recommendations. The remaining audit recommendations that have exceeded their original agreed action date by more than 12 months, are being referred up to the October 2023 Finance & Management Committee.

## South Derbyshire District Council – Audit Progress Report

### HIGHLIGHTED RECOMMENDATIONS

#### Being Implemented – Significant or Moderate Risk Recommendations

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Bereavement Services 2019-20	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Contract opportunities for the provision of a grave digging service had not been advertised on the Contracts Finder website, in line with the requirements of the Public Contract Regulations 2015, and there was no current contract in place.</p> <p>We recommend that the Council pursues one of the following actions: A corporate contract may be required for the area of spend and as such a formal tender exercise should be undertaken.</p> <ul style="list-style-type: none"> <li>Engage the Council's DSO to provide the service at the rural cemeteries as well as the urban cemeteries.</li> <li>The area of spend may be relevant to an existing or new framework agreement/contract which should be used to formalise the process.</li> <li>If no competitive market is available this should be demonstrated and a formal exemption from the Contract Procedure Rule should be put in place.</li> </ul>	Moderate Risk
Management Response/Action Details	Action Date
All options will be assessed and taken forward after the Covid-19 pandemic is over as the risk of any changes to the service are too great at the present time.	01/01/2021
Status Update Comments	Revised Date
Cemetery Space in rural area of Marston is becoming limited and there is a project to look at an extension or another site; this will need to be considered as part of that.	01/12/2023 Future Action

Housing Repairs 2020-21	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Orchard, the Council's Housing Management System, did not contain a full record of materials used on a job and there was consequently no tracking of materials purchased over the counter to confirm their usage.</p> <p>We recommend that all materials used on a job should be recorded on the job ticket used to populate Orchard. This will ensure full data is available for the purposes of costing and post inspections. Operatives should be provided with clear instruction and this should be monitored by management until embedded.</p>	Moderate Risk
Management Response/Action Details	Action Date
Written instruction for the completion of job tickets will be provided for operatives by the Interim Team Leader.	30/07/2021
Status Update Comments	Revised Date
Currently we are checking material spends from reporting supplied by the materials suppliers daily / weekly until the mobile working system is built. Comprehensive solution will be in place with Accuserve in January 2024	30/01/2024 Future Action

## South Derbyshire District Council – Audit Progress Report

Housing Repairs 2020-21	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>There was a high degree of manual input in scheduling repair jobs and the system in place to record repairs was heavily reliant on paper job tickets, resulting in inefficiencies and possible inaccuracies. We were unable to locate a job ticket for 10 of the 19 completed repair jobs selected for testing.</p> <p>We recommend that the Council considers the procurement of dynamic scheduling software. In the interim we recommend that:</p> <ul style="list-style-type: none"> <li>o Clear guidelines are provided to operatives on the information required to be completed on job tickets and timesheets, to improve the quality of data subsequently entered into Orchard, the Council's Housing Management System.</li> <li>o The possibility of sending job tickets directly from Orchard to operative's smartphones (or scanning and emailing them) is investigated.</li> <li>o The capability of the smartphones issued is reviewed to establish whether job tickets can be viewed and edited or whether other hardware /software is required to do this.</li> <li>o Training requirements for operatives are considered to allow implementation of the above and further training be undertaken, where required.</li> </ul>	<p style="color: orange; font-weight: bold;">Moderate Risk</p>
Management Response/Action Details	Action Date
<p>As part of the Council's Transformation Project, the renewed Orchard Contract package includes the option for the future purchase of dynamic scheduling/mobile working software. Written instruction for the completion of job tickets will be provided for operatives by the Interim Team Leader (by 30/07/2021). A possible interim solution for the electronic transmission of job tickets has been identified and is being tested. This will require new devices to be provided to operatives. The use of smartphone for this process has been tested and found to be not viable. Once testing of the process and new devices is complete this will be implemented across the team with the appropriate training.</p>	<p>01/10/2021</p>
Status Update Comments	Revised Date
<p>MRI/Accuserve implementation in progress. The kick off meeting is 24<sup>th</sup> July for Phase one which includes the Repairs Module.</p>	<p>31/03/2024 Future Action</p>

## South Derbyshire District Council – Audit Progress Report

Rent Accounting 2021-22	Rec No. 7
Summary of Weakness / Recommendation	Risk Rating
<p>Energy costs paid by the Council for individual properties were not consistently recharged to tenants and there was a large outstanding debt relating to this.</p> <p>We recommend that the Council writes off outstanding ground source heating debts where there is insufficient legal basis to pursue recovery. Furthermore, for existing tenants, appropriate action should be taken to obtain agreement to future energy cost charges, which should be invoiced as soon as possible to prevent further financial loss to the Council.</p>	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
<p>Agreed, the Former Tenant Arrears Officer will prepare the documentation for write off where recovery cannot be pursued against former / current tenants for ground source heating charges at Brook Street, Hartshorne.</p> <p>A third-party agent is currently being procured to take meter readings and prepare figures for consumption costs to the responsible tenant for payment. At this point it is the Councils intention for the third-party agent to read meters and invoice tenants, however this may change in so far as Business Support may invoice tenants and collect the payments which are due.</p> <ul style="list-style-type: none"> <li>• Once procured, all existing tenants will be required to re-sign a contract indicating their agreement to be responsible for and pay their ground source heating charges to the Council.</li> <li>• All new tenants will sign a separate contract/letter when they sign their new Tenancy Agreement indicating their agreement to be responsible for and pay their ground source heating charges.</li> <li>• The Former Tenant Arrears Officer and the Tenancy Services Manager will have operational responsibility for implementing this recommendation.</li> </ul>	31/03/2022
Status Update Comments	Revised Date
<p>Outstanding debts have now been written off. A process for billing has been prepared and meter readings for Carnegie House are now being taken and billed monthly. Service Charge which includes energy costs for those under licence agreement in temporary accommodation. Currently unable to receive meter readings for GSHP at Brook Street - order placed for new mBus readers with Raleigh Instruments.</p>	<p>31/10/2023</p> <p>Future Action</p>

## South Derbyshire District Council – Audit Progress Report

Electoral Services 2020-21	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There was no current contract in place for the provision of election printing services.</p> <p>We recommend that the Council pursues one of the following actions:</p> <ul style="list-style-type: none"> <li>• A corporate contract may be required for the area of spend and as such a formal procurement exercise should be undertaken.</li> <li>• The area of spend may be relevant to an existing or new framework agreement/contract which should be used to formalise the process.</li> <li>• Where a tender exercise would not be beneficial to the Council or where the particular organisation is required for a specific reason, a formal exemption from the Contract Procedure Rules should be sought.</li> </ul>	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
<p>A tender exercise may not be suitable due to the specialist nature of this contract.</p> <p>A formal exemption under the Contract Procedure Rules will be explored.</p>	31/03/2023
Status Update Comments	Revised Date
<p>This exemption may only be signed off by a report the Strategic Director (Corporate Resources). It is my understanding the new postholder will commence employment with the Council in June. On that basis, this recommendation will require a revised implementation date; I would suggest September.</p>	<p>30/09/2023</p> <p>Future Action</p>

Officers Expenses & Allowances 2022-23	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The Council's expenses policy did not support the Council's Staff Travel Plan, adopted to reduce the environmental impact of the journeys made by Council employees, and the mileage expenses paid were considered to be uneconomic and did not offer efficiency or value for money for the residents in the District.</p> <p>We recommend that the Council considers the savings that could be made by adopting the HMRCs (or a hybrid) scheme for paying mileages expenses. Pool cars could also be considered to reduce the need for paying lump sums for essential users (electric ones would also contribute to the Council's Staff Travel Plan.)</p>	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
<p>An options appraisal will be undertaken as part of the Council's recruitment and retention package.</p>	31/07/2023
Status Update Comments	Revised Date
<p>Work has commenced to consider options to reimburse officers using different modes of transport other than petrol/diesel cars. This will be subject to formal consultation. Once completed, and if approved, will be included in the Expenses Policy.</p>	<p>31/03/2024</p> <p>Future Action</p>

## South Derbyshire District Council – Audit Progress Report

Rosliston Forestry Centre 2022-23	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Some of the pathways through the forest were in poor condition and no longer accessible to members of the public with disabilities. Ongoing talks with Forestry England regarding the lease agreement was delaying any repair works, causing them to increase in cost.</p> <p>We recommend that the Council, in conjunction with Forestry England, negotiate a lease agreement that clearly outlines the Council's responsibilities within the Forestry Centre. Should the maintenance of pathways fall with the Council, they should then look at repairing these pathways or altering the visitor map to make people aware that they are no longer entirely accessible.</p>	<p><b>Moderate Risk</b></p>
Management Response/Action Details	Action Date
<p>To be considered as part of the lease renewal. Possible funding opportunities via the National Forest.</p>	<p>01/06/2023</p>
Status Update Comments	Revised Date
<p>A new lease has been agreed with Forestry England for 30 years. A 'Revitalising Rosliston' consultation has started which will help create the future vision for the site and identify where investment is best placed.</p>	<p>30/06/2024 Future Action</p>

# South Derbyshire District Council – Audit Progress Report

---

## Being Implemented - Low Risk Recommendations Over 12 Months

The following low risk rated recommendations, that have not yet been implemented and have exceeded their original action date by more than 12 months, are also detailed for Committee's scrutiny.

## South Derbyshire District Council – Audit Progress Report

Bereavement Services 2019-20	Rec. No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Historic graves and burials information had not been fully digitised.</p> <p>The Council should consider making resource available to digitise historic graves and burials information to minimise the risk of data loss.</p>	Low Risk
Management Response/Action Details	Action Date
Report being drafted to Leadership Team and Housing and Communities Committee.	30/11/2020
Status Update Comments	Revised Date
Currently recruiting a Service Admin Assistant. Once recruited which we are hoping will be in June/July part of their remit will be to work through the historic burial information and digitise it. Aiming to complete work depending on recruitment by end of year December 2023.	31/12/2023 Future Action

Grounds Maintenance 2019-20	Rec. No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>Arrangements for ensuring the updated GIS system remains accurate and up-to-date had not been confirmed.</p> <p>We recommend that a corporate decision is secured on where the responsibility lies for ensuring the GIS system is accurately maintained and up-to-date, and that this decision is effectively communicated and resourced.</p>	Low Risk
Management Response/Action Details	Action Date
A project to map all environmental assets on the Corporate GIS system has been concluded. A report to E&DS and F&M Committees has allocated resources to Operational Services to maintain the data on GIS. A further process is being developed to ensure all departments provide the required data to Operational Services in order to accurately maintain the Environmental Assets layer on GIS.	01/01/2021
Status Update Comments	Revised Date
The project to include the Grounds Maintenance information onto the Corporate GIS system was concluded in September 2022 and a review of the system was undertaken by a technical officer. Amendments and additional data will be maintained on an ongoing basis by the Operational Services Technical Officer. The remainder of departmental services are responsible for ensuring their own data is added and maintained in the corporate system. The responsible officer for this further implementation is yet to be agreed, along with the revised action date.	31/10/2023 Future Action
<b>Internal Audit has assigned a future action date to prompt a follow-up of this matter.</b>	

## South Derbyshire District Council – Audit Progress Report

Grounds Maintenance 2019-20	Rec. No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The specification and associated bills of quantities were out-of-date, having not been updated since 2011.</p> <p>We recommend that resources should be identified to review and update the specification and associated bills of quantity to reflect the current situation, to ensure better clarity over the areas covered within the 'contract' and the detailed requirements.</p>	Low Risk
Management Response/Action Details	Action Date
<p>Previous detailed specification to be reviewed for Housing land and Cultural and Community Service land. Timing will depend on when restructures are in place. Officers with operational responsibility are the Parks and Green Space Manager and the Housing Improvement and Asset Manager.</p>	01/10/2021
Status Update Comments	Revised Date
<p>Information/data that was available to transfer from the existing specification and Bill of Quantities has been added to the Operational Services GIS system. This data will need to be fully reviewed in conjunction with the clients and any missing data added. This work will require substantial time resources and will need to be scheduled after significant projects such as implementation of a new waste management system, route optimisation and the hydrogen hybrid trial, within Operational Services have been completed.</p>	<p>31/10/2024</p> <p>Future Action</p>

Grounds Maintenance 2019-20	Rec. No. 8
Summary of Weakness / Recommendation	Risk Rating
<p>Monitoring of quality of work performed did not take place or was not formally recorded.</p> <p>We recommend that regular quality monitoring is undertaken to ensure that quality of work meets the standards set within a revised specifications, and any performance issues are addressed.</p>	Low Risk
Management Response/Action Details	Action Date
<p>Quality Monitoring Schedule derived from annual plan/programme for Housing Land and Cultural and Community Services land to be implemented. Officers with operational responsibility are the Parks and Green Space Manager and the Housing Improvement and Asset Manager.</p>	01/04/2021
Status Update Comments	Revised Date
<p>A revision to the specification will not be ready until October 2024, in the interim. The charge hands and supervisors will be required to undertake several monitoring inspections a month, utilising a paper-based system. These will be used to monitor performance and delivery of the teams and quality assess the work being undertaken. This practice will continue until such time as a digital system can be installed. The introduction of a digital GM system will require substantial time resources and will need to be scheduled after significant projects such as implementation of a new waste management system, route optimisation and the hydrogen hybrid trial, within Operational Services have been completed.</p> <p><b>Internal Audit will require evidence of the manual system being in place and at that point would be happy to sign this recommendation off.</b></p>	<p>31/10/2024</p> <p>Future Action</p>

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>06 SEPTEMBER 2023</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>TRACY BINGHAM</b> <a href="mailto:tracy.bingham@southderbyshire.gov.uk">tracy.bingham@southderbyshire.gov.uk</a> <b>(01283 595811)</b>	<b>DOC:</b> h/CJ/governance/AGS/2022/AGS committee report
<b>SUBJECT:</b>	<b>AUDIT COMMITTEE SELF-ASSESSMENT</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

**1.0 Recommendations**

- 1.1 That the Audit Sub-Committee:
  - a) Notes the report; and
  - b) Considers forming an informal member working group to undertake a self-assessment of good practice and report back to a future Audit Sub-Committee meeting.

**2.0 Purpose of Report**

2.1 The purpose of the report is to share the updated guidance and agree to complete the self-assessment via an informal working group, the results of which will, together with officers' review of the updated guidance, inform an action plan for consideration and approval at a future meeting of the Committee.

**3.0 Detail**

- 3.1 In 2022, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of the document 'Audit Committees: Practical Guidance for Local Authorities and Police'.
- 3.2 Building on the previous 2018 version, the revised guidance aims to better focus the guidance for the most appropriate audience and for the first time has been produced in two sections.
- 3.3 The first section is specifically targeted towards members of an audit committee. The second section is a supplement to the member guidance and is designed for officers responsible for guiding and supporting audit committees and contains references to relevant resources with weblinks, additional information for officers to help ensure operations meet appropriate legislation and good practice and refers to relevant recommendations from the Redmond Review. Copies of both sections are appended to this report marked Appendix A and B respectively.

- 3.4 Included at Appendix C is the 2022 Position Statement on Audit Committees in local authorities which sets out roles and responsibilities and good practice principles for audit committees. CIPFA is clear that Audit Committees are a key component of an authority's governance framework, their purpose being to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
- 3.5 At appendices D and E are the impact and effectiveness evaluation tool and self-assessment of good practice. These set out key areas for self-assessment and evaluation including Audit Committee Purpose and Governance; Functions of the Audit Committee; Membership and Support; and Effectiveness of the audit committee.
- 3.6 It is important that the Council's Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees to ensure that it can evidence its effectiveness as a scrutiny body and as a foundation for strong corporate governance. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective Audit Committee arrangements.
- 3.7 It is recommended that Members note the updated guidance as set out and agree to meet informally to complete the self-assessment, the results of which will, together with officers' review of the updated guidance, inform an action plan for subsequent consideration and approval.

#### **4.0 Financial Implications**

- 4.1 None

#### **5.0 Corporate Implications**

- 5.1 None directly

#### **6.0 Community Implications**

- 6.1 None directly

#### **7.0 Background Papers**

- 7.1 None.

# Audit committees:

practical guidance for  
local authorities and police

2022 edition

The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

# The audit committee member in a local authority

2022 edition

[cipfa.org/](https://cipfa.org/)

Published by:

**CIPFA \ The Chartered Institute of Public Finance and Accountancy**

77 Mansell Street, London E1 8AN

020 7543 5600 \ [customerservices@cipfa.org](mailto:customerservices@cipfa.org) \ [www.cipfa.org](http://www.cipfa.org)

© October 2022 CIPFA

ISBN for this publication: 978 1 84508 5 643

ISBN for complete suite of Audit Committees: Practical Guidance for Local Authorities and Police (2022 edition): 978 1 84508 5 636

No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or publisher.

While every care has been taken in the preparation of this publication, it may contain errors for which the publisher and authors cannot be held responsible.

Apart from any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act 1988, this publication may be reproduced, stored or transmitted, in any form or by any means, only with the prior permission in writing of the publishers, or in the case of reprographic reproduction in accordance with the terms of licences issued by the Copyright Licensing Agency Ltd.

Enquiries concerning reproduction outside those terms should be sent to the publishers at the above mentioned address.

# Acknowledgements

A sincere thanks to all those who have provided comments and suggestions on this publication and the associated Position Statement.

- **Members of the Department for Levelling Up, Housing and Communities (DLUHC) working group:**  
Alan Finch (Local Government Association), Andrew Chapell (Public Sector Audit Appointments), Mike Newbury (National Audit Office) and DLUHC and Home Office representatives.
- **Members of CIPFA's Police Governance, Audit, Risk and Assurance (GARA) group and Governance and Assurance Forum:**  
Rob Winter (co-chair of GARA) and Laura Williams (Liverpool City Region).
- Jo Hendy (Welsh Local Government Association) and Chris Pyke (Cardiff Council).
- The CIPFA Public Financial Management Board.
- **CIPFA staff:**  
Charlotte Radford, Hege Larsen, Sarah Sheen and Alison Bonathan.

CIPFA is keen that the guidance provides practical support to audit committee members and those who work with the committee. It is therefore invaluable that we have interacted with audit committee members and officers through our training courses and events.

Thank you for providing your insights on the challenges, frustrations and rewards of being an audit committee member. I hope that this publication can support you in undertaking your important work.

**Diana Melville**

Governance Advisor, CIPFA



# Introduction to the new guidance

As a member of your authority's audit committee, you play an important role in the good governance of the authority. The audit committee contributes to its overall success by examining how its arrangements for decision making, consideration of risk and operations work. The committee has a unique view – one that is non-political. Instead of focusing on policy and decision making, it examines the 'engine' of the authority – how things get done. Most importantly, it shines a light on areas where things might be missed or need to adapt or improve.

To be a success, your audit committee must have a good grasp of its role and responsibilities. It will also need to follow some good practice principles. These are set out in the **CIPFA Position Statement on Audit Committees**.

The aim of this practical guide is to support you in your time as an audit committee member.

This section of CIPFA's guidance is for members of an audit committee in an authority. It will support both elected members and co-opted independent members (also known as lay members) to understand the purpose of the committee and its functions and their responsibilities as members of the committee. It will link to other sections of CIPFA's guidance, which will provide additional resources.

## FURTHER SECTIONS OF CIPFA'S GUIDANCE

---

The 2022 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* builds on previous editions but aims to better target the guidance at the most appropriate audience. This section is aimed directly at audit committee members in local authorities. A separate section covers the same material but for police audit committees.

*Guiding the audit committee* is a supplement to the member guide. It is aimed at those who support the committee, helping them to ensure that its operations are in accordance with the appropriate legislation and good practice. It also includes links to additional resources that are relevant for the committee's work. Audit committee members may also wish to access this supplement.

There are several appendices available, including example terms of reference, improvement tools and a knowledge and skills framework. These are available across all parts of this publication.



# Contents

<b>THE PURPOSE OF AUDIT COMMITTEES.....</b>	<b>9</b>
PURPOSE OF THE AUDIT COMMITTEE.....	9
IMPACT .....	9
HOW THE AUDIT COMMITTEE SUPPORTS OVERALL GOVERNANCE WITHIN THE AUTHORITY .....	9
<b>THE CORE FUNCTIONS OF AN AUDIT COMMITTEE.....</b>	<b>13</b>
MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS.....	14
Good governance.....	14
Ethical framework.....	15
Risk management .....	16
Internal controls.....	17
Value for money and best value arrangements .....	18
Countering fraud and corruption.....	19
Arrangements for partnerships, collaborations and subsidiaries.....	19
ACCOUNTABILITY AND PUBLIC REPORTING.....	20
Financial reporting.....	20
Annual governance statement .....	23
ASSURANCE AND AUDIT ARRANGEMENTS.....	23
Assurance frameworks and assurance planning.....	23
Supporting and making best use of audit .....	24
External audit .....	24
Internal audit.....	27
ENSURING THE FOCUS OF THE AUDIT COMMITTEE.....	29
<b>POSSIBLE WIDER FUNCTIONS OF AN AUDIT COMMITTEE.....</b>	<b>31</b>
REQUIREMENTS OF GOVERNANCE AND AUDIT COMMITTEES IN WALES.....	31
Scrutiny of financial affairs.....	31
Performance assessment arrangements.....	31
Developing the approach to the review .....	31
Arrangements for handling complaints.....	32
TREASURY MANAGEMENT .....	32
SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES.....	33
CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES .....	33
<b>INDEPENDENCE AND ACCOUNTABILITY .....</b>	<b>35</b>
STRUCTURE AND INDEPENDENCE.....	36
Committee size.....	36
Reporting lines .....	36
Dedicated focus.....	36
Decision-making powers and delegations.....	36
Rights of access to documents and requesting attendance at committee.....	36
ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS .....	37
Supporting the audit committee.....	37

Frequency of meetings.....	37
Transparency .....	38
Meetings and interaction outside scheduled meetings.....	38
Private meetings with the external auditor and head of internal audit .....	38
KEY RELATIONSHIPS .....	39
ACCOUNTABILITY .....	39
To those charged with governance.....	39
The audit committee annual report.....	39
Supporting accountability to the public and stakeholders .....	40
Supporting internal accountabilities .....	40
<b>MEMBERSHIP AND EFFECTIVENESS OF THE AUDIT COMMITTEE .....</b>	<b>41</b>
COMMITTEE MEMBERSHIP .....	42
Elected representatives and political balance.....	42
Separation from executive roles .....	42
Including co-opted independent members (also known as lay members).....	42
The role of the co-opted independent member .....	43
Remuneration .....	43
Appointment of the chair .....	43
Knowledge and experience .....	44
Training and development .....	44
DEVELOPING EFFECTIVENESS .....	44
Feedback to committee members.....	45
Appendices to support evaluation.....	45
Problem solving .....	45
<b>APPENDICES .....</b>	<b>47</b>

# The purpose of audit committees

## Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

## HOW THE AUDIT COMMITTEE SUPPORTS OVERALL GOVERNANCE WITHIN THE AUTHORITY

The overall aim of good governance is to align the authority's processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is appropriate stewardship of public assets and resources
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.

Governance for the sector is defined in **Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016) as follows:

- *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*
- *To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

Good governance is ultimately the responsibility of the governing body (the full council or equivalent), as well as those with leadership roles and statutory responsibilities in the organisation, including the elected mayor (where applicable), the chief executive, the chief financial officer (CFO)

and the monitoring officer. In local government, the governing body is the full council or authority. Putting good governance into practice requires both members and officers to play their part.

The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, the authority sometimes delegates specific governance responsibilities, though CIPFA's recommendation is that the audit committee should remain an advisory committee.

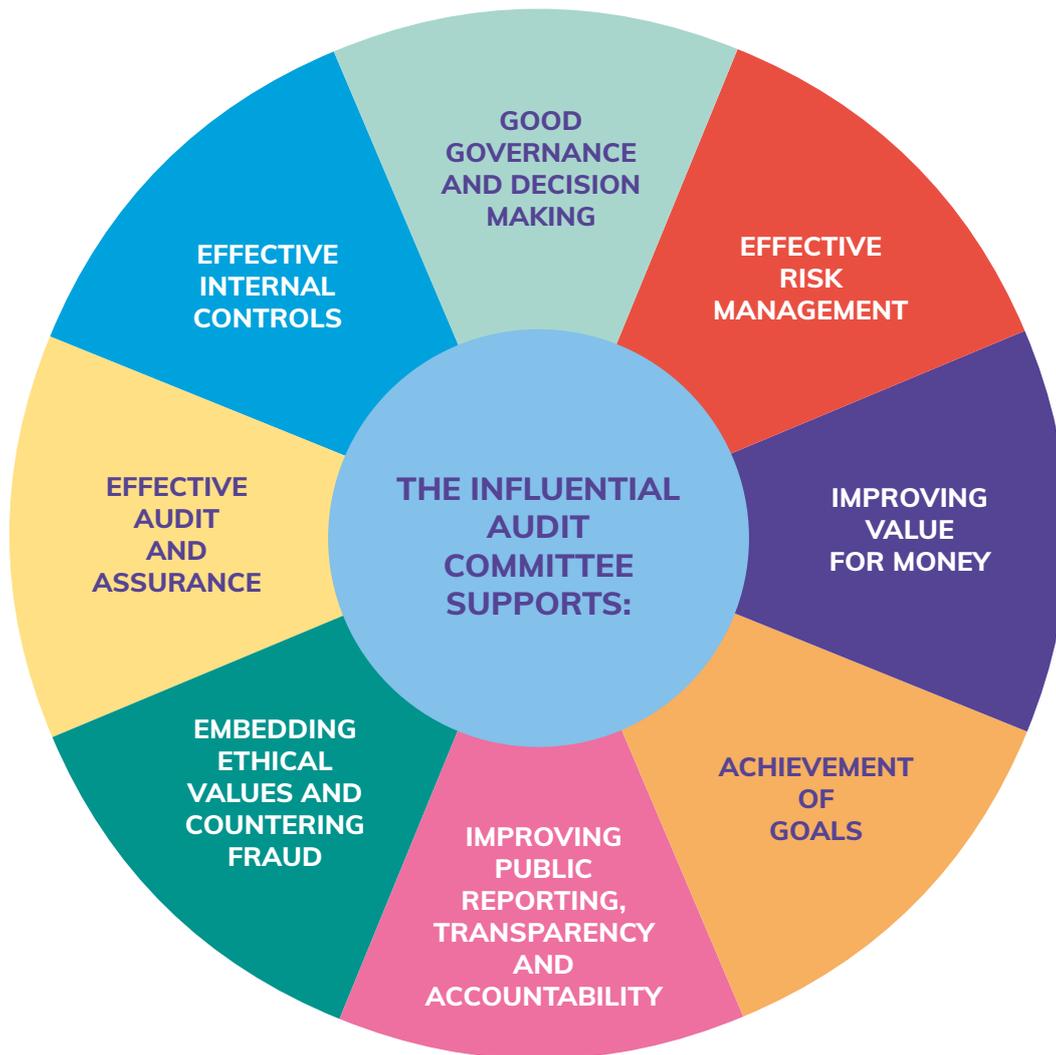
As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource for the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership, together with support and openness from the authority.

The principal areas where the committee can exert influence and add value are:

- aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements
- promoting the principles of good governance and how they are applied during decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements to govern risk and for effective arrangements to manage risk
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority
- reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption
- promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.

The influence that an effective audit committee can have in these areas is set out in Figure 1.

Figure 1: The influential audit committee



CIPFA’s view is that audit committee functions can be most effectively delivered by a dedicated audit committee. Such a committee provides a key resource to support the implementation of good governance standards. It is possible for the functions of an audit committee to be undertaken by other committees, but a dedicated resource is likely to be more knowledgeable and effective, with more time to focus on these important issues.



# The core functions of an audit committee

The core functions of audit committees should reflect both standard practice for audit committees across all sectors and the specific legislative and professional standards requirements for local authorities.

This chapter identifies the core areas of business for an audit committee and explains why they are important. The way the audit committee works must align with legislation and recommended guidance for some of these areas. This guidance is consistent with the requirements and key references are identified. *Guiding the audit committee* provides further details where required, together with links to additional resources.

The Position Statement sets out the core functions of the audit committee as follows.

## **Maintenance of governance, risk and control arrangements**

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

## **Financial and governance reporting**

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

## **Establishing appropriate and effective arrangements for audit and assurance**

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

The Position Statement sets out the core functions of the audit committee. Essentially, the responsibilities of the committee fall into three broad areas:

- 1 Supporting the establishment and maintenance of good governance, risk management and control arrangements.
- 2 Supporting accountability and public reporting, in particular the financial statements and the annual governance statement, and other statements that accompany the financial statements.
- 3 Supporting the establishment and maintenance of good arrangements for internal audit and external audit.

It's important to understand each area, and each area complements and supports the others. To be effective, the audit committee will need to operate across all areas and not just focus on one or two aspects.

The remainder of this section explains each of these areas in more detail. *Guiding the audit committee* provides more details on legislation, standards and supporting resources.

## MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

---

### Good governance

Local authorities should actively apply the framework of good governance (**Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016)) ('the Framework') and the seven principles of good governance. The audit committee plays an important role in supporting the Framework, not least with its approval of the annual governance statement (AGS), which should align with the Framework. CIPFA recommends that authorities should have a local code of governance to clearly explain how their arrangements are consistent with the principles of good governance. Where there isn't a local code, this information will be available through several sources. Whether or not there is a code, the committee should be able to understand what the authority's arrangements for governance are.

To provide a meaningful review of the AGS, audit committee members should be able to draw on their knowledge of the governance arrangements and on assurances they have received during the year. The audit committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted).
- Ensure that a framework of assurance underpins the AGS (see **Assurance and audit arrangements** for more details on assurance planning).
- Over the course of the year, receive reports and assurances over the application of the governance arrangements in practice.
- Review the governance arrangements being put in place for major developments, such as the establishment of a collaborative arrangement or trading company.
- Monitor implementation of action plans or recommendations to improve governance arrangements.
- Consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

Given its role in overseeing the local code of governance and the AGS, the audit committee can promote the implementation of good governance across the authority to make things better in the future, not just review what happened in the past. For example, the committee may make recommendations for action to senior management or refer matters to other committees. The limits to the decision-making powers of audit committees are considered in more depth in **Independence and accountability**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one mechanism an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses to avoid the necessity of government intervention.

Further details on the AGS and the committee's role in reviewing it are included later in **Accountability and public reporting**.

## Ethical framework

Public sector entities are accountable for not only how much they spend but also how they use the resources they have been entrusted with. This is at the heart of Principle A of the governance framework:

*Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, authorities have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire authority can show the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements for achieving this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The authority will have specific arrangements in place to oversee and operate standards, such as a standards committee, and the audit committee will not duplicate its responsibilities. Instead, its role is to oversee the arrangements that are in place to establish and maintain ethical standards and to obtain assurance over them. This supports the AGS.

Assurance over ethics will come from internal audit or from other sources of assurance, particularly for the annual review underpinning the AGS.

## Risk management

Assurance over risk management will be a key element underpinning the AGS. The audit committee also needs a good understanding of the level of assurance the risk management arrangements provide when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

The role of the audit committee in relation to risk management covers three major areas.

- 1 Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the ownership of and accountability for risks. Specifically, this includes:
  - overseeing the authority's risk management policy and strategy and their implementation in practice
  - overseeing the integration of risk management into the governance and decision-making processes of the organisation
  - ensuring that the AGS is an adequate reflection of the risk environment.
- 2 Keeping up to date with the risk profile and the effectiveness of risk management actions by:
  - reviewing arrangements to co-ordinate and lead risk management (an example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency across the organisation)
  - reviewing the risk profile and keeping up to date with significant areas of strategic risks, major operational risks or major project risks and seeking assurance that these are managed effectively and owned appropriately (the committee should avoid duplication of risk monitoring and scrutiny undertaken by other committees)
  - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
  - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- 3 Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
  - overseeing any evaluation or assessment of the body's arrangements, such as a risk maturity assessment or risk benchmarking
  - reviewing evaluation, assurance and audit reports on risk management and monitoring progress on improvement plans.

### Acting as a risk committee

Local government bodies do not usually establish a dedicated committee with responsibility for risk management. Instead, committees such as policy and resources, cabinet or scrutiny are likely to play a role in the oversight of individual risks and the adequacy of the risk response. The leadership team, including the executive member body, will take the lead in establishing the risk appetite of the authority. The audit committee should understand the roles played by other committees to avoid duplication and confusion with its own role.

Where other member bodies do not actively review key risks, the audit committee could take on additional functions involving more in-depth reviews of risks. In doing so, the committee should be mindful of when it is acting as a risk committee just as an audit committee.

These functions could include:

- regular reviews of risk registers, particularly strategic risks, and significant operational risks to consider their adequacy and effectiveness in capturing and assessing risks
- risk challenge to evaluate whether planned mitigations are appropriate and effective, making recommendations to the responsible risk owner where appropriate
- identifying dependencies or links between risks and considering if the planned mitigations recognise this
- considering if risks have been escalated appropriately and in a timely manner
- supporting the leadership team in their review of risk appetite, though the final decision should remain with the leadership team.

The audit committee's terms of reference should make it clear whether risk committee roles are included.

## Internal controls

The leadership team and the service managers within the authority are responsible for putting in place appropriate internal control arrangements. The aims of internal controls are to:

- manage risks
- allow agreed policies and processes to be put into practice.

In doing these two things, an effective 'internal control framework' will make it more likely that the authority's objectives will be achieved. The internal control framework is a way of describing the complete set of controls that management have put in place.

Controls may take different forms according to the risks that they are intended to manage and their purpose. Some examples of controls include the following:

- Access controls within an IT system determine who has access to that application and the available functions and data (a preventative control).
- Procurement rules, guidance and relevant training may be used to ensure that procurement decisions are within the law and achieve best value (a directive control).
- An exception report identifies outlier transactions in a process for review and approval by management (a detective control).
- Procedures to ensure that a copy of data is kept secure and away from the primary system to allow for recovery (a corrective control).

The control framework will include many corporate arrangements such as an authority's financial regulations, contract standing orders and human resources policies, as well as service-specific controls embedded within a range of policy documents, guidance notes, training manuals and instructions. Some authorities use a structured framework to classify their control frameworks. Some controls are fundamental to a system; often, they are described as 'key controls'.

The effectiveness of the internal control framework should be considered as part of the annual review on governance. Where there are significant control failures, or an overall weakness in the framework, then it should be considered for disclosure in the AGS. CIPFA's **Financial Management Code** (FM Code) (2019) provides a set of principles covering the operation of financial management throughout the authority to help ensure that internal financial controls operate effectively.

Assurance over the level of compliance with the FM Code should be considered as part of the annual review on governance.

The head of internal audit's annual opinion (see [Internal audit](#)) will provide an annual opinion covering the framework of internal control alongside that of risk management and governance. This too will inform the AGS. Reports from internal audit and external audit will provide assurance on the adequacy of specific controls.

Historically, internal audit and the audit committee were expected to focus most on financial controls, but today the focus of both will encompass a much broader set of controls.

While a range of internal controls are essential, the audit committee should be conscious that too many controls could result in greater inefficiency or ineffectiveness in an operation. Controls may also become outdated or otherwise no longer fit for purpose. Introducing new controls may incur additional costs or other resources. The committee should strive to ensure that the authority has an appropriate level of internal control linked to the authority's attitude to risk.

## Value for money and best value arrangements

Making best use of resources is a key aim for all local authorities and is part of the governance framework. One of the behaviours and actions that underpins Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available". Making best use of resources is an essential enabler to achieving the goals and objectives that the authority has set for itself.

Like other aspects of the committee's responsibilities, the primary focus is on the authority's arrangements for ensuring value for money rather than reviewing the actual performance achieved. This means seeking assurance that the authority has put in place the right mechanisms and is actively pursuing better value for money.

When planning work in relation to value-for-money arrangements, the audit committee should be mindful of what other committees may do. There is a potential overlap with the work of the scrutiny function, so care will be needed to avoid duplication. For example, a scrutiny committee may receive performance reports that show performance against a dashboard of indicators or may benchmark performance against other bodies.

Using this information, the scrutiny committee will challenge whether the authority is on track to achieve its performance targets and meet its objectives. They will highlight areas where value for money may be an issue. The audit committee will first focus on the overall arrangements that are being put in place to achieve value for money. They will receive assurances, from internal audit or from other sources of assurance, on how effectively those arrangements work in practice. As a result of the work of the audit committee, areas of concern about value for money may be identified and recommendations for further action or investigation made.

The audit committee will see references to value for money as part of other areas within its terms of reference. For example:

- Internal audit reports may highlight a value-for-money risk as part of a wider assurance review. It may feature in the head of internal audit's annual opinion.
- The AGS should include reference to how effectively the value-for-money aspect of governance is operating in practice. A value-for-money concern could be included as a recommendation for action if it were significant.
- Output from the risk management arrangements may highlight risks to value for money.

One major area where the audit committee will receive assurance on the adequacy and effectiveness of value-for-money arrangements is from the authority's external auditors. Across the UK, the different audit arrangements have resulted in different views on how value for money and best value are considered by the auditors. Further details of audit codes are set out in *Guiding the audit committee*.

## Countering fraud and corruption

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. If money is misdirected or assets lost to fraud, it means that limited budgets are less able to meet service demands and fulfil the authority's objectives. When any authority experiences a significant fraud or case of corruption, it damages public perception of that authority and undermines public trust. Effective counter fraud and anti-corruption arrangements also relate to the ethical standards that the public expects members and officers to uphold.

The audit committee should have oversight of the authority's arrangements for managing the risks from fraud and corruption, providing assurance that they are fit for purpose. The arrangements should extend beyond having the facility to investigate an allegation or other evidence of fraud. It should include a much broader strategy and understanding of the risks. Guidance on establishing such arrangements is available to authorities in the [CIPFA Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014).

Oversight of counter fraud plans and availability of resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community
- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the overall performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses
- consideration of assurance provided by internal audit.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported in the AGS using the counter fraud code. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice.

## Arrangements for partnerships, collaborations and subsidiaries

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises. Authorities may also be the accountable body for local enterprise partnerships (LEPs). Increasingly, authorities have subsidiary arrangements such as commercial trading companies.

Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is important, as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined.

The audit committee's role should be to consider assurances on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively. The committee should satisfy itself that the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance. The committee may also want to know what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and that standards of probity are maintained.

For subsidiary arrangements such as the establishment of a trading company, the audit committee will also need to receive assurances that the governance, risk and control arrangements of the authority's oversight of the company are robust.

Where an authority is developing new partnership or collaboration arrangements, the audit committee may wish to receive assurance over governance matters at the project stage. When reviewing the proposed structure, the committee should consider whether the authority has the necessary expertise, advice and training in place to take on new governance roles.

It is also important that the committee clarifies its own responsibilities in relation to the governance arrangements of the new service delivery organisation. Will they act as the audit committee for the new structure, for instance?

The audit committee should consider assurances that underpin the AGS to make sure that partnerships are covered. Where a partner organisation (such as a shared service entity) does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body to support the CFO.

## ACCOUNTABILITY AND PUBLIC REPORTING

---

Public bodies must operate transparently, and being accountable to the public and stakeholder groups is a fundamental aspect of governance arrangements. The audit committee plays a key role in supporting the body's accountability for the use of public money and for the way it is governed. While other public reports are also available, the annual financial reports and the annual governance statements are important accountability statements that are mandated by legislation and guided by professional standards. These accountability statements are the responsibility of those charged with governance, but the audit committee will play a key role in reviewing the arrangements that underpin them and reviewing the statements themselves.

### Financial reporting

Local government bodies are required to produce their statutory statements of accounts in accordance with professional accounting standards to ensure a consistent approach and appropriate treatment. This provides confidence to the user in the financial results. The accounting standards are determined by CIPFA/LASAAC and are set out in the **Code of Practice on Local Authority Accounting in the United Kingdom**, updated annually. These standards must incorporate both International Financial Reporting Standards (IFRS) and any adaptations or interpretations necessary for the local government context and local government legislation. A particularly important part of this is the legislative framework that changes what is charged to a revenue account under accounting standards (IFRS) to mitigate or manage the impact of those standards on council taxpayers. As a result, the accounts have an extra layer of complexity that an organisation such as a limited company would not have.

The primary users of financial statements are the recipients of the local services provided and their representatives, together with the providers of the resources required to deliver those

services. Local authority members and Members of Parliament are primary users of local authority financial statements in their capacity as representatives of the interests of service recipients and resource providers.

CIPFA's [Guide to Local Government Finance](#) (2019) sets out details of accounting concepts and principles that underpin the financial reports. The key financial statements are as follows:

Key statements in annual accounts	
<b>Comprehensive Income and Expenditure Statement</b>	This is where all the income and expenditure of the authority is recorded in line with accounting rules. This statement is similar to the one you would find in a private company.
<b>Movement in Reserves Statement</b>	This statement shows the impact of the financial year on the authority's reserves. It also includes all the income and expenditure that is recognised under accounting rules but then removed from the accounts by legislation to give the amount of expenditure that has been funded by the local taxpayer.
<b>Balance Sheet</b>	This statement summarises an authority's financial position at each year-end and reports the assets, liabilities and reserves of the authority. Some of the reserves are specific to authorities, such as the pensions reserve and the capital adjustment account, and exist to allow accounting entries required by legislation. This statement is similar to the one you would find in a private company.
<b>Cash Flow Statement</b>	This summarises the cash flows that have been made into and out of the authority's bank account during the financial year. This statement is similar to the one you would find in a private company.

Some authorities will need to include specific statements to account for their activities – for example, the Housing Revenue Account (HRA) or collection fund – and councils in Scotland are required to hold trading accounts (some councils in the rest of the UK may hold these voluntarily). Administering authorities of the Local Government Pension Scheme will also need to produce pension accounts for their fund.

Authorities are required to include a narrative report in the accounts (management commentary in Scotland). This should provide information on the authority, its main objectives and strategies, the principal risks that it faces and how it has used its resources to achieve its desired outcomes in line with its objectives and strategies. For a non-expert reader, this report will help to explain the statements and help demonstrate the extent to which the objectives of the authority have been achieved.

The role of the audit committee is to review the financial statements prior to approval. The statements are the responsibility of all those charged with governance – the full member body – but the audit committee is delegated the responsibility of a detailed review. Some authorities fully delegate responsibility to the audit committee by including final approval of the accounts in the committee's terms of reference, but CIPFA has always set out the committee's role to be one of review rather than decision making. In England and Wales, co-opted independent members cannot vote to approve the accounts under Section 13 of the [Local Government and Housing Act 1989](#) (see [Membership and effectiveness of the audit committee](#)).

### Accounts preparation

The preparation of the statutory statements of accounts is the responsibility of the CFO. The deadline for the publication of the statements is set out in regulations by each of the UK governments. Recently, achieving these deadlines has been adversely impacted by the COVID-19 pandemic and delays in the completion of audits. Monitoring the status of both completion of the statements and liaison with the auditors before publication will be important for the audit

committee. The audit committee will want assurance that the finance team can deliver a set of financial statements of appropriate quality in accordance with the statutory deadlines. Factors they will wish the finance team to highlight to them include:

- significant changes in accounting policies and their implications
- significant judgements made by the authority on material transactions
- changes to the operational basis of the authority – for example, the establishment of a trading company that will need to be consolidated into the accounts
- capacity and capability within the finance function to meet quality standards and deadlines
- whether there have been previous problems with the quality of the financial statements – for example, issues and recommendations from the previous year’s audit
- issues arising from any internal assurance or internal audit reviews and actions taken
- any changes to the external audit requirements that could have implications for the preparation of the statements – for example, the drive to improve audit quality has included increased professional scepticism.

### Reviewing the statutory statements of accounts

The complexity and length of the financial statements can be daunting for audit committee members, especially if this is an area where they do not have prior experience. CIPFA has resources that will provide more detailed guidance on the statements and underlying concepts, and specific training is also recommended.

Key areas that the committee should focus on in their review are as follows:

- The narrative report, ensuring that the messages are consistent with the financial statements. The committee should also consider the implications of the issues and challenges identified and consistency with other risk information provided.
- What steps have been taken to make the narrative report readable and understandable to a non-expert and whether steps have been taken to make the accounts accessible. CIPFA’s **Streamlining the Accounts** (2019) includes a section on the presentation and layout of the accounts.
- Reviewing the completeness of the information reported and asking about the steps taken to ensure that the disclosures are complete.
- Identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years.
- Monitoring trends and reviewing for consistency against financial performance observed over the course of the year.
- Reviewing the suitability of accounting policies and treatments and any changes to them – for example, asking the CFO to highlight to the committee where accounting treatment is open to different approaches and explaining why the method used has been chosen.
- Seeking explanations for changes in accounting policies and treatments – for example, where there has been a change in the accounting standards.
- Reviewing major judgemental areas – for example, provisions or reserves.

**Understanding Local Authority Financial Statements** (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority’s financial statements but audit committee members may find particularly helpful.

A current topic for discussion is whether further steps could be taken to make the financial statements more understandable for the public. A recommendation of the Redmond Review was that a standardised statement of service information and costs should be prepared and presented alongside the statutory accounts. This recommendation is still under discussion and review, and the introduction of such a statement would be a development of interest to the audit committee. The audit committee will be interested in any steps taken to improve transparency and accountability by ensuring that the key messages are accessible to users.

## Annual governance statement

The committee's role in supporting the principles of good governance and the local code of governance was outlined in the section on supporting good governance, risk management and internal control. The AGS is the key annual public report that requires the authority to evaluate the effectiveness of its governance arrangements.

While the committee will see other agenda items that describe the governance arrangements that have been established – notably updates to the local code of governance – the AGS is all about evaluation. It is an assessment of how good those arrangements are in practice, leading to an opinion on whether they are fit for purpose. Where there are areas for improvement, these should be identified and an appropriate action plan established.

The audit committee should play a key role in reviewing the AGS prior to its final approval. It is typical for the AGS to be provided in draft, usually at the same time the financial statements are prepared. The timetable for final publication follows the regulations of the relevant UK national government.

Key aspects that the audit committee should consider when reviewing the AGS include:

- whether the statement is user friendly for a lay reader
- whether the statement focuses on evaluation, leading to a clear opinion of whether arrangements are fit for purpose and meet the principles of good governance
- whether the AGS is an accurate representation of arrangements, consistent with other information known to the committee (committee members should be able to recognise their own authority's strengths and weaknesses)
- whether it includes appropriate disclosures on conformance with specified codes and standards and is consistent with current CIPFA guidance
- whether the AGS is supported by an appropriate action plan to implement the required improvements and if this is robust.

Although the AGS publication follows the same timetable as the financial statements, it can also be published as a separate accountability report. This would help raise its prominence and value to local stakeholders, providing improved transparency.

## ASSURANCE AND AUDIT ARRANGEMENTS

---

### Assurance frameworks and assurance planning

The term 'assurance framework' is used to describe the various means through which the authority's leaders, managers and decision makers can trust that the policies and procedures they have approved are being implemented in practice and operating as intended. Putting in place this framework is the responsibility of the [audit committee](#).

For the audit committee member, reviewing assurances on the operation of governance, risk management and control arrangements is a core part of their role. The committee should also be concerned to know that an adequate assurance framework exists to inform the leadership team.

The audit committee may see references to the Three Lines Model of assurance developed by the Institute of Internal Auditors (IIA). More details of the model are contained in *Guiding the audit committee*. Briefly, the Three Lines Model identifies three different types of assurance:

- Management assurance – embedded in line management arrangements.
- Oversight and compliance assurance – review and monitoring functions.
- Independent assurance (internal audit).

Occasionally, there might be reference to the ‘fourth line’, referring to assurance that comes from outside the authority such as from external auditors or inspectorates.

Some authorities set out their assurance arrangements in a map or diagram. Typically, these outline key areas of the assurances needed and identify the assurance providers.

Whether or not there is a formal assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should seek to ensure that assurance is planned and delivered, with the following objectives in mind:

- Clarity on what assurance is required.
- Clear allocation of responsibility for providing assurance.
- Avoiding duplication, bearing in mind the differing objectives of assurance activities.
- Improving the efficiency and cost effectiveness of assurance.
- Obtaining assurance of appropriate rigour and independence across a range of assurance providers.

Each authority has core activities that are central to its effective operation, and the audit committee should consider what assurance it receives on these, whether through the annual governance review, internal audit or management assurance. Core arrangements would include financial management and counter fraud, but other key areas include information governance, information security, procurement, ethical governance, human resources and health and safety.

In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the authority, and it should therefore be proportional to the risk.

## Supporting and making best use of audit

Supporting the authority’s auditors, both internal audit and external audit, is an important dimension to the committee’s work. Helping to make best use of the process of audit and audit outputs will contribute to the committee’s overall purpose. This section explains the committee’s interactions with both internal and external audit and the role of the committee in supporting effective arrangements.

### External audit

Within an authority, the full council – all elected councillors – are characterised as “those charged with governance”. In practice, the exercise of some governance responsibilities is delegated to specific committees. This is of particular importance in relation to external audit, as external auditors are required by auditing standards to report to “those charged with governance”. While

the audit committee is the representative body for much of the interface with the external auditors, it is important to remember that all councillors have a governance responsibility, and it is important that they are familiar with key messages from the authority's external auditors.

The audit committee will have several interactions with the external auditors each year following a regular cycle of planning and reporting. There are also roles for the committee in supporting the independence of the auditors, the effectiveness of the external audit process and the impact of their work. The following sections provide more support for the critical interactions between the auditor and the committee. External audit is subject to stringent professional standards and some of these are highlighted in *Guiding the audit committee*. Committee members should recognise that these standards do require auditors to operate in a certain way.

## Appointment

In some other sectors, the audit committee plays a lead role in the appointment of the external auditor. In local government, one of the principles of public audit is that appointment should be independent of the organisation. In local government bodies in Wales, Scotland and Northern Ireland, the national audit bodies are responsible for the delivery of local audit. In England, the **Local Audit and Accountability Act 2014** changed the appointment and delivery model for local government bodies, introducing a more direct role for the authority.

In all authorities, the audit committee's role in appointment includes expressing an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, Public Sector Audit Appointments (PSAA) appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process and provide advice to the authority on the final selection. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

## Monitoring the external audit process

The audit committee's role in relation to the external audit process has three principal aspects:

- 1 To provide assurance that the external auditor team maintains independence following its appointment.
- 2 To receive and consider the work of external audit.
- 3 To support the quality and effectiveness of the external audit process.

## Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. These disclosures should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. Usually, this disclosure is included in the audit plan and when reporting. The audit committee should use these opportunities to discuss their assessment of threats to independence with the external auditor and any safeguards.

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA, the auditor panel (in England), or from audit quality reviews by the Financial Reporting Council (FRC) or the Institute of Chartered Accountants in England and Wales (ICAEW). Regarding non-audit services, audit committees should monitor the approval of non-audit work and, in England, consider the oversight of either PSAA or the auditor panel as appropriate.

### **Receiving and considering the work of external audit**

The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit makes recommendations, the audit committee should discuss the action to be taken with managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit report.

While the Code of Audit Practice for each nation will specify exact outputs, the reports from the external auditors are likely to include the following:

- A plan – including approach, risks, team, timetables and outputs.
- Interim reports – reporting on progress, new developments and interim conclusions.
- An opinion on the financial statements and the outcome from the audit. The auditor will also identify any material errors and recommendations.
- Best value or value-for-money arrangements reports – the format of these vary according to the Code of Audit Practice the auditor is working to.
- An annual report.

In England, the Redmond Review recommended that the auditor's annual report should be submitted to full council by the external auditor. CIPFA's recommended approach is that the report should first be submitted to the audit committee for discussion and then submitted to full council by the auditors, accompanied by the response recommended by the audit committee to any significant issues raised in the report. This will support greater transparency with the public and help all elected members understand the outcome of the audit. It should also help to raise the profile of the audit committee among other elected members.

CIPFA also recommends that this approach is adopted by authorities in the rest of the UK unless other arrangements exist to achieve the same level of transparency and strengthened governance.

Auditors may also report by exception. If they identify an area of concern, then the auditors may investigate and may make a recommendation for improvement or a public report. Any such action should be taken very seriously by the audit committee.

### **Supporting quality and effectiveness**

If the audit committee member has no prior experience of audit committee work or external audit, then reviewing the quality of external audit can be a challenging aspect of the work and one where additional training may be required. It is an important aspect of the work of the committee, as it sets expectations for the auditor for the timely delivery of a high-quality audit. It should also support better engagement and interaction between auditor, committee and management. Overall, active interest from the committee will support better outcomes in terms of confidence in the audit opinion, usability of audit output and better understanding of the audit process.

Guiding the audit committee signposts resources and information of high quality that can be of use to audit committees.

## Reports from inspectorates or other regulatory bodies

In addition to audit reports, the authority may be inspected where it has particular service responsibilities. For example, social care services are inspected by the Care Quality Commission (CQC), education and skills services are inspected by the Office for Standards in Education, Children's Services and Skills (Ofsted), and a fire and rescue authority will be inspected by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Other regulatory bodies, such as the Information Commissioner's Office (ICO), may also review and inspect arrangements.

Where inspectorates are focused on operational matters, the committee's role may be limited, but all external assessments and recommendations provide assurance on the robustness of governance, risk and controls within the authority. It is therefore important that the committee is aware of the overall conclusions. Where issues are highlighted by inspections within the remit of the committee, it may play a more active role – for example, reviewing the implementation of an improvement plan. The committee will also want to consider how the work of these assurance providers are taken into account as part of external audit or internal audit.

## Internal audit

The authority's internal audit service, whether an in-house team or provided through a shared service or outsourced arrangement, is an essential partner for the audit committee. It is a major source of assurance, providing coverage across many areas that the audit committee will want to know about. The committee also plays an important role in the support for and oversight of the internal audit arrangements, helping to hold it to account. This role is in part determined by the professional standards that the internal auditors must adhere to.

The specific roles of the audit committee in relation to internal audit are to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

The activities that underpin these three objectives are below.

### Oversee independence, objectivity, performance and professionalism

The Public Sector Internal Audit Standards (PSIAS) set out functional reporting arrangements for internal audit to ensure its organisational independence. These are requirements of the professional standards, so there is an expectation that the audit committee should provide support. Each authority will have an internal audit charter, which will set out reporting relationships for internal audit, and the audit committee terms of reference will need to include those elements that relate to it. The charter is likely to set out the audit committee's responsibility to:

- review or approve the following:
  - the internal audit charter
  - the risk-based internal audit plan
  - the internal audit budget and resource plan
- receive confirmation of the organisational independence of the internal audit activity
- consider the appointment and removal of the head of internal audit (referred to in the PSIAS as 'chief audit executive') or the appointment of a contract for internal audit services

- make enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations on internal audit
- approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the head of internal audit has been asked to undertake any additional roles/responsibilities outside of internal auditing
- receive the head of internal audit's annual report, which includes:
  - the annual opinion on the overall adequacy and effectiveness of governance, risk management and control
  - a summary of the work on which internal audit has based the opinion
  - a statement on conformance with the PSIAS and the Local Government Application Note (LGAN)
  - the results of the quality assurance and improvement programme (QAIP), including specific detail as required in the PSIAS
- discuss with the head of internal audit the form of the external assessment of internal audit and the qualifications and independence of the assessor
- receive the report on the external assessment of internal audit (at least once every five years), including its overall conclusion and any recommendations (the committee should monitor the implementation of the improvement plan).

The head of internal audit, also known as the chief audit executive, must have unfettered access to the chair of the audit committee. In addition, the chair of the audit committee may serve as sponsor for the external assessment, which forms part of the QAIP, at least once every five years.

### Support effective arrangements for internal audit

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. It should help ensure that the authority's internal audit is effective, which will mean that the audit committee is better supported, with access to the assurance it needs. Effective internal audit also supports better governance and control arrangements, which are aligned to the audit committee's overall purpose.

Defining the conditions for effective internal audit is not straightforward – different authorities may feel they have effective arrangements using very different service models, for example. However, there are some essential conditions that internal audit needs to be effective:

- A service that operates in accordance with PSIAS.
- A service with access to sufficient and appropriate capacity and capability.
- Leadership from the head of internal audit.
- Good engagement with the committee and management.
- An organisational culture that actively promotes and understands the role of internal audit.

While the designated head of internal audit can be expected to be responsible for internal audit activity, the audit committee plays an important role in supporting the organisation's attitude to and understanding of internal audit. The [CIPFA Statement on the Role of the Head of Internal Audit](#) (2019) sets out the conditions that can make internal audit effective. It is relevant for audit committee members as well as the head of internal audit. CIPFA's research report [Internal audit: untapped potential](#) (2022) also addresses whether public bodies are getting the most from internal audit.

The following activities form a core part of this:

- Receiving updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work.
- Receiving communications from the head of internal audit on internal audit's performance relative to its plan and other matters.
- Giving approval to internal audit for any significant additional consulting services not already included in the audit plan prior to internal audit accepting an engagement.
- Receiving reports on instances where the internal audit function does not conform to the PSIAS or LGAN and considering whether the non-conformance is sufficiently significant that it must be included in the AGS.
- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates.
- Receiving regular reports on the results of the QAIP, including the external assessment.

### **Promote the effective use of internal audit within the assurance framework**

The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan considers the requirement to produce an annual internal audit opinion that can inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance
- receiving reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority
- escalating internal audit recommendations where further action is needed
- bearing in mind internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control when considering the AGS.

To get the best out of internal audit, the audit committee's understanding of and support for effective risk management and wider assurance arrangements is helpful.

Periodically, there are changes made to the PSIAS and LGAN, as well as more specific guidance to auditors. As a result, the committee may need to receive updates or briefings to ensure that they are aware of the latest requirements.

## **ENSURING THE FOCUS OF THE AUDIT COMMITTEE**

The core functions of the audit committee are wide ranging. At some meetings, it will be inevitable that certain agenda items take priority to meet statutory deadlines. Audit committees should aim to ensure that within each year there is adequate coverage of each of the core functions. The assurance framework of the authority should be a useful resource to support this.

**Independence and accountability** covers agenda management and **Membership and effectiveness** of the audit committee covers the annual review of the effectiveness of the committee.



# Possible wider functions of an audit committee

In addition to the core functions of the committee defined in the CIPFA Position Statement, there are some wider functions that it may be necessary or appropriate for the committee to take on. For audit committees of councils in Wales, there are some specific requirements set out in legislation.

## REQUIREMENTS OF GOVERNANCE AND AUDIT COMMITTEES IN WALES

---

The **Local Government and Elections (Wales) Act 2021** built on requirements first set out in the **Local Government (Wales) Measure 2011**. The specified responsibilities not already covered by the core functions include:

- review and scrutiny of the authority's financial affairs
- review of the performance assessment arrangements of the authority
- review and assessment of the authority's ability to handle complaints effectively.

### Scrutiny of financial affairs

Councils will have scrutiny committees that will undertake budget scrutiny and monitor financial performance. The responsibility of the audit committee is not to duplicate these functions, even though the legislation uses the phrase 'scrutinise'. The committee can ensure that they satisfy this requirement through their review of the financial statements, financial control arrangements and the work of internal audit and external audit.

### Performance assessment arrangements

The 2021 Act introduced a duty on a principal council to keep its performance under review and to undertake a self-assessment of performance. The legislation requires the governance and audit committee to review the self-assessment report and the committee can make recommendations. The council is not required to adopt the committee's recommendations, but it should include an explanation of why it has not adopted the change.

There is also a requirement for a periodic panel performance assessment, and there is a similar requirement for the governance and audit committee to consider the panel report.

The Auditor General for Wales will have the power to undertake a special inspection if a council is thought to not be meeting the performance requirements. The governance and audit committee will receive the Auditor General's report and will consider the council's draft response to the report. If the committee makes recommendations on the draft response, the council is not required to adopt the change but must explain why it has not.

### Developing the approach to the review

The governance and audit committee's focus is on the adequacy and suitability of arrangements rather than performance monitoring. [Page 64 of 189](#) In the annual self-assessment report the committee should maintain a similar overview.

CIPFA's suggested approach includes:

- consideration of whether the scope and approach to drawing up the self-assessment report is appropriate to fulfil the expectations of the legislation
- whether the council has established appropriate arrangements to obtain assurance over its performance (these arrangements should form part of the wider assurance framework)
- whether the council has carried out the appropriate consultation as part of the performance review
- considering if the panel appointed and the approach to the panel assessment fulfils the requirements of legislation
- whether the report's conclusions and recommendations are consistent with the review and assurances that underpin it
- consideration of whether there are any inconsistencies in information and assurances received by the committee in respect of its other work
- consideration of the recommendations and whether they will maintain and improve the arrangements for performance management going forward.

## Arrangements for handling complaints

Assurance that there are effective arrangements to manage complaints could come within the remit of any audit committee. The specific requirement in Wales does mean that governance and audit committees will have increased focus in this area.

The focus will need to remain on the arrangements and not become a forum for the review of individual complaints. The committee will need to consider how they receive this assurance as part of the wider assurance framework. Complaints may be managed centrally or by individual department, but it should be possible for the committee to receive an overall assessment of the effectiveness of those arrangements. If complaints handling was seen as an area of risk, then it could be included in internal audit plans, but other sources of assurance should be routinely available.

## TREASURY MANAGEMENT

### **Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance**

**Notes** (CIPFA, 2021) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not specify this to be an audit committee role, and a local authority may nominate another committee instead. CIPFA is aware, however, that many authorities have nominated the audit committee to do this, and it is therefore appropriate to consider this activity as part of this guidance.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee.

Where the committee is undertaking scrutiny, this is likely to involve the following actions:

- Developing greater awareness and understanding of treasury matters among the committee members.
- Reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory.

- Receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause three of the Treasury Management Code, so the purpose of receiving regular reports should be clear.
- Reviewing the treasury risk profile and adequacy of treasury risk management processes.
- Reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny.

## SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

---

When an authority is working to an improvement programme – perhaps following a best value review or inspection – there is likely to be an oversight role for the audit committee. The committee should receive assurances that actions are being implemented and recommendations addressed. There may be a dedicated board for the programme and the committee would not seek to duplicate their work. It will need to understand progress, as it will be an area of interest to the external auditors and will link to the action plan of the AGS. Where there are areas of improvement directly within the remit of the committee, it may play a more active role.

## CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES

---

Occasionally, the audit committee may be requested to consider a review of a service, a proposed policy or other similar matters. Such requests could come from another committee in the organisation or from one of the statutory officers. In scoping the terms of reference for a review, the committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control. Examples of where it may be helpful for the audit committee to assist could include:

- reviewing whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area
- providing advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision.

In each case, the aim of the committee should be to make recommendations in line with its role as set out in the Position Statement: advocating the principles of good governance and helping to ensure that there are appropriate governance, risk, control and assurance arrangements in place.

Audit committee recommendations may support the advice or recommendations of the statutory officers but cannot override that advice.



# Independence and accountability

The audit committee of an authority should be established in accordance with the principles set out in the 2022 Position Statement. These will ensure that the committee is independent from other committees in the authority and is accountable to those charged with governance.

## Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body
- in local authorities, be independent of both the executive and the scrutiny functions
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

CIPFA Position Statement 2022

## STRUCTURE AND INDEPENDENCE

---

### Committee size

In other sectors, audit committees typically have fewer than six members. This is more difficult to achieve in a local authority. CIPFA's recommendation is that authorities should strive to have no more than eight members.

A committee of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

The use of substitutes on the committee is not recommended. The most effective membership will be based on knowledgeable and skilled members who are able to build on information gained at previous meetings. For example, when reviewing progress on the external audit, the committee member should have been sighted on the audit plan discussed at an earlier meeting.

### Reporting lines

The audit committee is an advisory committee on behalf of those charged with governance. As a result, the committee should report to the full council, fire authority or other local government governing body. It is not appropriate to be a sub-committee of the cabinet, scrutiny or policy and resources committee.

### Dedicated focus

To ensure a focus on the core functions, the committee should not be combined with other council committees such as scrutiny or standards or policy and resources. A combined committee can result in the distinction between the functions of the committees becoming blurred. The audit committee is non-political and should contain co-opted independent members. These arrangements are different to those of scrutiny. While a standards committee is also non-political and may contain lay members, its focus is different. An appropriate lay member for the audit committee may not be suitable for the work of the standards committee and vice versa. More details on the membership of the committee and role of the co-opted independent member are available in [Membership and effectiveness of the audit committee](#).

### Decision-making powers and delegations

CIPFA does not recommend that the audit committee be delegated decision-making powers, as it is advisory.

The committee should be able to make recommendations to other bodies for decisions – for example, to a scrutiny committee for further scrutiny review, and to cabinet, policy and resources or full council for decision. The committee can also make recommendations to the leadership team and service managers – for example, in response to issues raised by auditors.

CIPFA is aware that some authorities do delegate decisions, such as the approval of the financial statements. While the audit committee should lead on the detailed review of the statements, ultimately the statements are the responsibility of all those charged with governance. This is the equivalent of shareholders approving the annual report and accounts of a company.

### Rights of access to documents and requesting attendance at committee

As a committee of the authority, the audit committee can request information relevant to its role and agenda. It is good practice to agree on a protocol, so there is clarity for all parties. Generally,

authorities operate on a principle of openness and transparency, so there should not be a difficulty in providing relevant information. At all times, the authority will need to have regard for maintaining confidentiality of personal or commercially sensitive data in accordance with guidance.

There may be times when it is not considered timely to provide the information requested – for example, where information is sensitive because of an investigation. In such cases, an adequate explanation should be given and an indication of when information might be available. The chair in particular needs to be briefed.

It is important for audit committee members to maintain an apolitical approach and a focus on overall arrangements rather than individual cases. The committee is not an investigative forum.

It will be helpful to request the attendance of officers at the committee to support discussion of a topic or to agree on the next steps. For example, if the committee wishes to review an internal audit report that identified significant areas for improvement, then it would be appropriate for the lead manager or director responsible for that service to attend the committee to discuss how they will address the weaknesses.

## ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

---

### Supporting the audit committee

As a full committee of the authority, the committee will receive secretariat support. It will also receive guidance on the proper conduct of the meeting under the authority's constitution and legislation.

The chair of the committee should take part in planning the agenda, helping to ensure that the committee addresses its terms of reference.

### Frequency of meetings

CIPFA recommends the committee should meet a minimum of four times per year. The number and frequency of meetings should be determined by what is efficient and effective to cover the work of the committee.

Some agenda items need to be considered at certain times of the year, such as the financial statements and AGS. Other items will be more flexible and others determined by urgency. An annual meetings planner can help to schedule core business throughout the year to achieve adequate coverage and a balance of activity.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken in balancing the frequency of meetings against the need to give the committee's business sufficient focused attention, without lengthy and unproductive meetings. Equally, the audit committee should review whether including each item on its agenda results in added value and whether some time-consuming aspects of audit committee business could be more effectively addressed elsewhere. In making these judgements, the audit committee should operate at a resolutely strategic level. Take care to avoid straying into matters of operational detail that service managers should resolve. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

## Transparency

Audit committees will normally meet in public, and agendas and minutes will be published. On occasion, there will be agenda items that meet the criteria to be heard in private. The chair should receive advice when a 'part 2' report is scheduled. The rationale for this should be stated.

Some authorities provide facilities for public questions at the start of a meeting. This supports openness and transparency but requires committee support to ensure questions are relevant for the scope of the committee.

## Meetings and interaction outside scheduled meetings

The committee may meet informally as required to fulfil other requirements – for example, to take part in training or briefing or conduct a self-assessment.

It is typical for political group meetings to take place before a policy committee meeting; however, the apolitical nature of the audit committee should make such meetings unnecessary.

It is likely that some information will be shared with committee members outside scheduled meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

## Private meetings with the external auditor and head of internal audit

It is standard practice for the external auditors and head of internal audit to have direct access to the audit committee. This helps to reinforce the independence of the auditors, helping them to maintain their professional standards. It also reinforces the independence of the audit committee. A private meeting provides a safe space for discussions and questions. Even if the auditor has no concerns, the meeting provides additional assurance of that.

Suggested questions to ask at a meeting include the following:

- Are you free to determine the scope of internal audit without interference?
- Do you have the access to senior management that you need?
- Do you have any concerns about governance arrangements that you are not comfortable sharing in front of management or in public?
- Are there any emerging governance risks that the committee should be alert to?

The meeting could also be used to test out a question on the auditor, perhaps when the audit committee member is not sure if it is an appropriate question to ask. The meeting thus provides a safe space for committee members and enables the member to ask with confidence in the open meeting. However, it is important that a private meeting is not used as a substitute for formal committee meetings, as this would undermine openness and transparency. Like all aspects of the committee's work, a private meeting should be non-political.

As a minimum, there should be a facility for a private meeting once a year, but they should be made available on request. The committee can meet separately with external audit and the head of internal audit, but a joint meeting could also be an option. To support transparency, the chair should report that a private meeting has taken place at the next audit committee meeting and summarise the topics discussed.

If governance concerns are raised with the audit committee in a private meeting, the chair of the audit committee should agree appropriate steps with the auditor. This would normally include follow-up discussions with one or more of the statutory officers.

## KEY RELATIONSHIPS

---

To be effective, an audit committee will need to engage with a wide range of officers. Representatives of finance and internal audit will attend regularly and often are a source of support to the committee, but other senior officers would normally be expected to attend. While it is for each audit committee to determine who attends its meetings, the following examples show the wide range of officers who can add value to audit committee meetings:

- The chief executive and corporate directors for the AGS and other governance-related issues.
- The monitoring officer for the AGS and ethical governance issues.
- The risk management officer for discussions around risk management.
- The head of counter fraud for agenda items on fraud risks and counter fraud activity.
- Service senior managers for audit, risk or governance discussions on their service areas.
- Scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Interactions with the head of internal audit will need to take account of the professional standards (PSIAS), so that the correct oversight and reporting can be demonstrated.

## ACCOUNTABILITY

---

### To those charged with governance

The audit committee should be held to account regularly by those charged with governance – full council or the equivalent body in another authority. Accountability should cover:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control arrangements within the authority.

### The audit committee annual report

The committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact. This is a key output of the committee. The report should be publicly available, supporting the authority's accountability to wider stakeholders, including the public.

Suggested content for the report is set out below.

#### Alignment of the committee to recommended practice

- The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:
  - The size of the committee.
  - Structure and composition, including the number of independent members.
  - Reporting line and independence from other committees.
  - Whether its terms of reference include all the core functions of the committee.
- Results of the committee's annual evaluation of its effectiveness and assurance over key indicators should be reported. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.
- The report should summarise how it has fulfilled its terms of reference and the key issues escalated to the leadership team or other committees during the year.
- The report should summarise the development work that will support the committee members, eg training.

The annual report should be timed to support the annual review of governance and preparation of the AGS. This enables the committee to take stock of the assurances it has received and the extent to which its own performance has contributed to governance arrangements.

The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the influence of the committee is likely to grow. **CIPFA has produced a set of frequently asked questions about the work of the committee** that helps communicate its role and the value it brings.

## Supporting accountability to the public and stakeholders

The committee has a key role in reviewing the accountability reports of the authority and in helping the authority to discharge its responsibilities. Committee meetings will normally be held in public, except for exempt items, so this also contributes to the accountability of the authority to the public and stakeholders. The audit committee's own annual report will also support accountability to external stakeholders.

A wider group of stakeholders such as partner organisations may have an interest in the committee's work, although there is no direct accountability relationship between them. Holding open meetings and publishing agendas and minutes will support wider communication and transparency.

## Supporting internal accountabilities

Through a review of internal and external audit reports, risk management information and other key strategies, the audit committee will hold to account those responsible for implementing recommendations and action plans. In addition, by overseeing the evaluation and improvement of governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority works well.

The audit committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly.

# Membership and effectiveness of the audit committee

Choosing elected members for the committee and appointing additional co-opted independent members is an important step in ensuring the committee can carry out its work effectively. This section examines the characteristics needed by members and practical issues. It also considers the importance of evaluating the effectiveness of the committee.

## Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

## COMMITTEE MEMBERSHIP

---

### Elected representatives and political balance

Elected members of local authorities are part of the body charged with governance. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members with experience in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

Ideally, the selection of elected members to the audit committee will take account of aptitude and experience. In practice, most authorities have appointed members according to rules on political balance, even though the committee should be non-political. As long as the committee remains an advisory body and not decision making, then full council can waive the political balance requirement. Potentially, this could increase flexibility in the selection of suitable members.

### Separation from executive roles

The leader of the cabinet, administration, chair of the policy and resources committee or the elected mayor must not be a member of the audit committee. Care should also be taken where councillors in senior policy-making roles are considered for membership. Where an authority has a cabinet system of governance, including a member of cabinet on the committee is discouraged. If the council has a policy and resources committee, members of this committee should also not sit on the audit committee. In addition, chairs of other policy committees should not be members. This will allow members of the audit committee greater independence in their role and assist in a non-political approach.

If an executive member is included, other compensating arrangements should be made to ensure independence – for example, where there is a majority of independent members or an independent chair of the committee. An executive member should not chair the audit committee.

CIPFA recommends that a period of two years should elapse before a councillor who previously held a senior policy role joins the audit committee.

An overlap with other committee roles such as scrutiny or standards is not necessarily a problem. It can add value by bringing knowledge of activity in these areas into the committee. Those who are members of other committees should take care to not blur their roles.

It is important that there is engagement between those deciding policy matters and the audit committee. This will support audit committee members in staying up to date and help policy makers understand recommendations made by the committee. Examples of engagement could include the members of the executive attending the committee to brief them on the actions they are taking, or the chair of the audit committee attending cabinet or policy and resources to explain audit committee recommendations.

### Including co-opted independent members (also known as lay members)

A co-opted independent or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence.

Inclusion of lay members is a legislative requirement for authorities in Wales and for combined authorities in England.

Where there is no requirement to, CIPFA recommends the committee includes two co-opted independent members.

The reasons for CIPFA's recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and investing in the committee.

While including co-opted members can bring real value to the committee, care is needed to ensure that the arrangement works well, both for the co-opted member and for the other committee members. It is essential that the co-opted member receives an adequate induction and ongoing support to provide organisational context and to build working relationships.

## The role of the co-opted independent member

The role description for a co-opted member of the committee will be the same as for an elected representative who is a committee member. The only substantial difference will be where the committee has been delegated decision-making responsibilities – although such delegations are not advised by CIPFA – a co-opted member cannot vote on council policy, so will not be able to take part in the decision, though they can, of course, contribute to the discussions prior to the formal decision. The minutes of the meeting should distinguish between a delegated committee decision and a recommendation from the committee to another council body. The latter is part of the role of an advisory committee and the co-opted member should be able to take part fully.

*Guiding the audit committee* contains additional resources to support the planning for and recruitment of independent members.

## Remuneration

It is usual practice to provide some form of payment to the lay committee members and to pay expenses for attending meetings. The allowance recognises the value and time contributed by the member. If an independent member is appointed as the committee chair, an additional sum would be appropriate. Elected members of the committee will be paid allowances and expenses in accordance with the authority's agreed arrangements.

## Appointment of the chair

In Wales, a lay member will be recruited specifically to the position of chair, and in other parts of the UK, some authorities have decided on a co-opted independent member for the role. This allows the authority to specify the requirements of the chair during recruitment. In other authorities, the appointment of the committee chair will be decided according to the constitution of the authority. In all cases, it is recommended that the characteristics of an effective chair are considered. These include:

- an ability to plan the work of the committee over the year and beyond
- meeting management skills

- an ability to bring an objective, apolitical attitude and help ensure the apolitical nature of the committee
- core knowledge and skills required of audit committee members
- a clear focus on the role of the committee and ambition to lead the committee in line with good governance principles
- a focus on improvement and securing agreement on actions.

The tenure of the audit committee chair remains a matter for the authority. When making this decision, it should be recognised that a period of continuity can be helpful, particularly for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective.

## Knowledge and experience

There is a range of knowledge and experience that audit committee members can bring to the committee that will enable it to perform effectively. No one committee member would be expected to be a specialist in all areas, but there are some core areas of knowledge that committee members will need to acquire.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can guide members on their training needs and support the evaluation of the overall knowledge and skills of the committee. It can also be used when recruiting independent members. It distinguishes between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee.

The audit committee should review risks, controls and assurances that cover the entire operation of the authority, so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience – for example, in accountancy, audit, governance and risk management – will add value to the committee.

## Training and development

Audit committees should have access to support to guide them in their roles, help them to understand the key agenda items, and to keep them informed of new developments. *Guiding the audit committee* includes a suggested training and support programme.

New co-opted members may have technical knowledge and experience, but they will still need to understand the local government context with which they may not be familiar. Support should also be provided to help integrate them into the committee and familiarise them with the council's structure and processes.

Audit committee members should review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.

## DEVELOPING EFFECTIVENESS

An audit committee's effectiveness should be judged by the contribution it makes to and 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', 'Page 74 of 189' and support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are

essential requirements for delivering effectiveness. The CIPFA Position Statement recommends the committee's annual report should include the results of a performance assessment.

Assessing the effectiveness of the committee should consider the following:

- An assessment of whether the committee is operating in accordance with the practices recommended in this guidance and complies with legislation (where appropriate).
- How the committee has fulfilled its terms of reference, including the core functions of the committee.
- The operation of the committee, including the support and training provided and how members have developed their knowledge and experience.
- The committee's effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
- Feedback from those interacting with the committee.

## Feedback to committee members

It is normal practice in other sectors for the chair of the audit committee to provide feedback to individual members. In the political environment of an authority, this is more difficult to do. Consideration should be given to facilitating general feedback as part of a wider committee self-assessment. Suggested areas for discussion include:

- attendance
- participation in discussions and questioning
- any training needs
- suggestions for how the committee could develop.

## Appendices to support evaluation

CIPFA has developed some improvement tools for the committee to use to inform its evaluation. These are available in Appendices E and F.

The audit committee should report on its effectiveness in its annual report, and the annual report should be timed to support the AGS. More information on the annual report is available in [\*\*Independence and accountability\*\*](#).

## Problem solving

Where the committee is experiencing difficulties, the improvement tools may help to identify those areas that need change. For a newly constituted committee, or one with several new members, it can take time to build up effective operations. This is one reason why a comprehensive programme of training and support is needed.

Other difficulties can arise if there is a poor understanding of the role and purpose of the committee among others or if there is insufficient engagement.

Appendix D includes a summary of the difficulties that audit committees sometimes experience and suggestions for addressing them.



# Sector and devolved government guidance

## PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<a href="#"><u>Cities and Local Government Devolution Act 2016</u></a> . <a href="#"><u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017</u></a> .	<a href="#"><u>Local Government (Wales) Measure 2011</u></a> as amended by the <a href="#"><u>Local Government (Democracy) (Wales) Act 2013</u></a> . <a href="#"><u>Local Government and Elections (Wales) Act 2021</u></a> .	<a href="#"><u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u></a> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
<b>Specified functions of the audit committee</b>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
<b>Responsibilities of the audit committee in relation to external audit</b>	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

## PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

<b>Local authorities in England (including combined authorities and fire and rescue authorities)</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit (England) Regulations 2015</u></a>
<b>Local authorities in Wales</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit Regulations (Wales) 2014</u></a> and the <a href="#"><u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u></a>
<b>Local authorities in Scotland</b>	
Relevant government guidance	<a href="#"><u>Local Authority Accounts (Scotland) Regulations 2014</u></a>
<b>Local authorities in Northern Ireland</b>	
Relevant government guidance	<a href="#"><u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u></a>
<b>Police in England</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit (England) Regulations 2015</u></a> (see also the statutory guidance <a href="#"><u>Financial Management Code of Practice for the Police Forces of England and Wales</u></a> (FMCP) (Home Office, 2018))
<b>Police in Wales</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit Regulations (Wales) 2014</u></a> and the <a href="#"><u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u></a> (see also the <a href="#"><u>FMCP</u></a> )

### Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.



# Suggested terms of reference – local authority

## INTRODUCTION

---

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

## SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

---

### Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Financial and governance reporting

### Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

### Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

### External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

# Suggested terms of reference – police

## INTRODUCTION

---

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

## SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

---

### Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Financial and governance reporting

### Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

### Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

### External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### **Internal audit**

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

# Audit committee members – knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<b>Organisational knowledge</b>	<ul style="list-style-type: none"> <li>An overview of the authority's governance structures and decision-making processes.</li> <li>Knowledge of the organisational objectives and major functions of the authority.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.</li> </ul>
<b>Audit committee role and functions</b>	<ul style="list-style-type: none"> <li>An understanding of the audit committee's role and place within the governance structures.</li> <li>Familiarity with the committee's terms of reference and accountability arrangements.</li> <li>Knowledge of the purpose and role of the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</li> <li>It will help the committee undertake a self-assessment and prepare its annual report.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Knowledge of the seven principles as outlined in <b><u>Delivering Good Governance in Local Government: Framework</u></b> (CIPFA/Solace, 2016).</li> <li>The requirements of the AGS.</li> <li>How the principles of governance are implemented locally as set out in the local code of governance.</li> </ul>	<ul style="list-style-type: none"> <li>The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework.</li> <li>The committee will plan the assurances it is to receive to adequately support the AGS.</li> <li>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</li> <li>The committee will receive audit reports and information on risks relating to governance.</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<b>Internal audit</b>	<ul style="list-style-type: none"> <li>• An awareness of the key principles of the PSIAS and the LGAN.</li> <li>• Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter.</li> <li>• How the role of the head of internal audit is fulfilled.</li> <li>• Details of the most recent external assessment and level of conformance with the standards.</li> <li>• Internal audit's strategy, plan and most recent annual opinion.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</li> <li>• The audit committee will review the assurances from internal audit work and will review the risk-based audit plan.</li> <li>• The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</li> <li>• In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</li> <li>• The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.</li> </ul>
<b>Financial management and financial reporting</b>	<ul style="list-style-type: none"> <li>• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</li> <li>• An understanding of good financial management practice as set out in the CIPFA <b><u>Financial Management Code</u></b> (FM Code) and the level of compliance with it.</li> <li>• Knowledge of how the organisation meets the requirements of the role of the CFO as required by <b><u>The Role of the Chief Financial Officer in Local Government</u></b> (CIPFA, 2016) and <b><u>The Role of CFOs in Policing</u></b> (2021).</li> <li>• An overview of the principal financial risks the authority faces.</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewing the financial statements prior to publication, asking questions.</li> <li>• Receiving the external audit report and opinion on the financial audit.</li> <li>• Reviewing both external and internal audit recommendations relating to financial management and controls.</li> <li>• The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.</li> </ul>
<b>External audit</b>	<ul style="list-style-type: none"> <li>• Knowledge of the role and functions of the external auditor and who currently undertakes this role.</li> <li>• Knowledge of the key reports and assurances that external audit will provide.</li> <li>• Familiarity with the auditor's most recent plan and the opinion reports.</li> <li>• Knowledge about arrangements for the appointment of auditors and quality management undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee will meet with the external auditor regularly and receive their reports and opinions.</li> <li>• Monitoring external audit recommendations and maximising the benefit from the audit process.</li> <li>• The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> <li>Understanding of the principles of risk management, including how it supports good governance and decision making.</li> <li>Knowledge of the risk management policy and strategy of the organisation.</li> <li>Understanding of risk governance arrangements, including the role of members and of the audit committee.</li> <li>Knowledge of the current risk maturity of the organisation and any key areas of improvement.</li> </ul>	<ul style="list-style-type: none"> <li>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements.</li> <li>Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</li> <li>The committee should also review reports and action plans to develop the application of risk management practice.</li> </ul>
Counter fraud	<ul style="list-style-type: none"> <li>An understanding of the main areas of fraud and corruption risk that the organisation is exposed to.</li> <li>Knowledge of the principles of good fraud risk management practice in accordance with the <b><u>Code of Practice on Managing the Risk of Fraud and Corruption</u></b> (CIPFA, 2014).</li> <li>Knowledge of the organisation's arrangements for tackling fraud.</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</li> <li>An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</li> </ul>
Values of good governance	<ul style="list-style-type: none"> <li>Knowledge of the Seven Principles of Public Life.</li> <li>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct).</li> <li>Knowledge of the whistleblowing arrangements in the authority.</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</li> <li>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</li> </ul>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <li><b><u>Effective Scrutiny of Treasury Management</u></b> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>regulatory requirements</li> <li>treasury risks</li> <li>the organisation's treasury management strategy</li> <li>the organisation's policies and procedures in relation to treasury management.</li> </ul> </li> </ul> <p>See also <b><u>Treasure your assets</u></b> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> <li>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</li> </ul>

## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

---

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

## CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
<b>Strategic thinking and understanding of materiality</b>	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
<b>Questioning and constructive challenge</b>	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
<b>Focus on improvement</b>	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
<b>Able to balance practicality against theory</b>	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
<b>Clear communication skills and focus on the needs of users</b>	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
<b>Objectivity</b>	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
<b>Meeting management skills</b>	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.



# Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
<b>Lack of experience and continuity of knowledge among audit committee members.</b>	<ul style="list-style-type: none"> <li>Where turnover of membership is very frequent, it will be difficult for the committee to build up experience.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.</li> </ul>
<b>Audit committee members do not feel confident in their knowledge of particular areas.</b>	<ul style="list-style-type: none"> <li>Lack of training and support.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members.</li> </ul>
<b>Independent members lack knowledge of the organisation and lack connections with key managers.</b>	<ul style="list-style-type: none"> <li>Poor induction.</li> <li>Limited opportunities to engage with the organisation outside of formal meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Improve induction.</li> <li>Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.</li> </ul>
<b>Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.</b>	<ul style="list-style-type: none"> <li>Lack of experience or skill in managing meetings by the chair.</li> <li>Committee members are unsure about their role.</li> <li>Poor support from the committee secretary.</li> </ul>	<ul style="list-style-type: none"> <li>Training and support.</li> <li>Develop a mentoring/coaching programme.</li> <li>Chair seeks feedback from meeting participants.</li> <li>Consider skills and experience in the selection of the chair.</li> <li>Provide training and guidance to committee members on their role.</li> <li>Improve committee support.</li> </ul>
<b>The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.</b>	<ul style="list-style-type: none"> <li>Agenda management fails to prioritise key areas.</li> <li>The chair does not intervene to keep the focus at an appropriate level.</li> </ul>	<ul style="list-style-type: none"> <li>Review the process of agenda development.</li> <li>Review the terms of reference and provide training.</li> <li>The chair seeks feedback from meeting participants.</li> <li>Provide the chair with committee management training.</li> </ul>

Areas of difficulty	Possible causes	Possible improvement options
<b>The committee lacks focus, and members struggle to gain an overall understanding of their remit.</b>	<ul style="list-style-type: none"> <li>• Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters.</li> <li>• The committee is too large or lacks continuity because of regular attendance by substitutes.</li> <li>• Infrequent attendance by senior officers.</li> </ul>	<ul style="list-style-type: none"> <li>• Training and emphasis on the non-political and strategic focus of the committee.</li> <li>• Reform of the committee structure to reduce membership and remove use of substitutes.</li> </ul>
<b>Senior officers do not understand the work of the committee and are not sighted on its output.</b>	<ul style="list-style-type: none"> <li>• The audit committee fails to engage with other committees in the authority.</li> <li>• Attendance is often limited to the CFO and the head of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.</li> </ul>
<b>Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.</b>	<ul style="list-style-type: none"> <li>• Committee recommendations are not directed to appropriate member bodies.</li> <li>• Reporting arrangements are not effective.</li> <li>• Wider induction arrangements do not cover the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Invite newly elected members to attend audit committee meetings.</li> <li>• Review reporting and accountability arrangements.</li> <li>• Prepare an annual report that sets out how the committee has fulfilled its responsibilities.</li> <li>• Share the CIPFA guidance (FAQs).</li> </ul>
<b>Recommendations made by the audit committee are not actioned.</b>	<ul style="list-style-type: none"> <li>• A poor relationship between the committee and the executive or senior officers.</li> <li>• The audit committee's recommendations are not adequately aligned to organisational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• A senior officer provides internal facilitation to support improved relationships.</li> <li>• Improve knowledge and skills among audit committee members.</li> <li>• Ensure better engagement with appropriate managers or the executive at an earlier stage.</li> </ul>
<b>The audit committee fails to make recommendations or follow up on issues of concern.</b>	<ul style="list-style-type: none"> <li>• A weak or inexperienced chair.</li> <li>• Members are inexperienced or do not fully understand their role.</li> <li>• Poor briefing arrangements prior to meetings.</li> <li>• Committee reports fail to adequately identify the action required by the committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide guidance and support.</li> <li>• Improve briefing to the chair prior to the meeting.</li> <li>• Ensure reports contain clear recommendations.</li> </ul>
<b>The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.</b>	<ul style="list-style-type: none"> <li>• The terms of reference do not adequately scope the work of the committee.</li> <li>• Misunderstanding about the role of the committee.</li> <li>• Inadequate guidance from the committee secretary to the chair on its role.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the terms of reference and provide training and guidance.</li> </ul>

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> <li>• A lack of understanding about the role of the committee.</li> <li>• Difficulty separating the work of the committee from the wider politics of authority.</li> </ul>	<ul style="list-style-type: none"> <li>• Seek feedback from those interacting with the committee or external assessment.</li> <li>• Provide support or training for the chair.</li> <li>• Consider the role of independent members.</li> </ul>
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> <li>• A lack of understanding about the role of the committee.</li> <li>• Differing perceptions on the value of the committee</li> <li>• Personality clashes.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the terms of reference and provide training and guidance.</li> <li>• A senior officer provides internal facilitation to support improved relationships.</li> <li>• Seek an external assessment or facilitation.</li> <li>• Change the chair or membership if the constitution or opportunity arises.</li> </ul>



# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>				
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>				
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>				
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>				
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>				
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>				

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

**Membership and support**

<b>13</b> Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>• Separation from executive</li> </ul>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>• A size that is not unwieldy and avoids use of substitutes</li> </ul>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA’s recommendation</li> </ul>	<input type="checkbox"/>				
<b>14</b> Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>				
<b>15</b> Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>				
<b>16</b> Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>				
<b>17</b> Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>				
<b>18</b> Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>				
<b>19</b> Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>				

**Effectiveness of the committee**

<b>20</b> Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>				
<b>21</b> Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>				
<b>22</b> Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>				
<b>23</b> Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>				

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Subtotal score</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

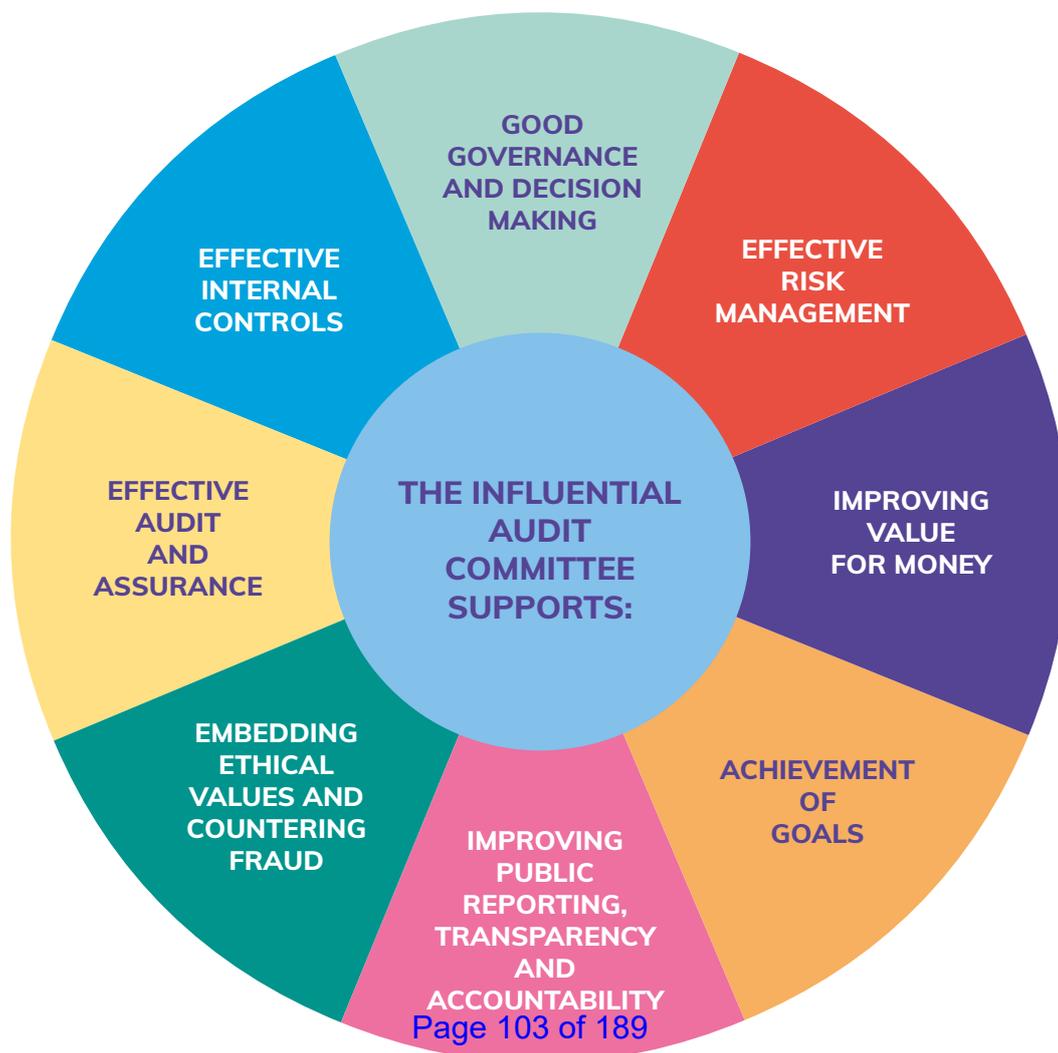
\*\* 40 questions/sub-questions multiplied by five.

# Evaluating the impact and effectiveness of the audit committee

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**



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
Promoting the principles of good governance and their application to decision making.	<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>	
Contributing to the development of an effective control environment.	<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>	

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
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<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>	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<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>	
Supporting effective external audit, with a focus on high quality and timely audit work.	<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>	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<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 <b><u>Statement on the Role of the Head of Internal Audit</u></b> (2019).</li> </ul>	

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><b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b></p>	<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>	
<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<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>	
<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<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>	

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 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"> <li>Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>Publishing an annual report from the committee.</li> </ul>	<ul style="list-style-type: none"> <li>The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	

## 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.

77 Mansell Street, London E1 8AN  
+44 (0)20 7543 5600

[cipfa.org/](https://cipfa.org/)

# Audit committees:

practical guidance for  
local authorities and police

2022 edition

The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

# Guiding the audit committee

Supplement to the audit  
committee member guidance

2022 edition

[cipfa.org/](https://cipfa.org/)

Published by:

**CIPFA \ The Chartered Institute of Public Finance and Accountancy**

77 Mansell Street, London E1 8AN

020 7543 5600 \ [customerservices@cipfa.org](mailto:customerservices@cipfa.org) \ [www.cipfa.org](http://www.cipfa.org)

© October 2022 CIPFA

ISBN for this publication: 978 1 84508 5 650

ISBN for complete suite of Audit Committees: Practical Guidance for Local Authorities and Police (2022 edition): 978 1 84508 5 636

No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or publisher.

While every care has been taken in the preparation of this publication, it may contain errors for which the publisher and authors cannot be held responsible.

Apart from any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act 1988, this publication may be reproduced, stored or transmitted, in any form or by any means, only with the prior permission in writing of the publishers, or in the case of reprographic reproduction in accordance with the terms of licences issued by the Copyright Licensing Agency Ltd.

Enquiries concerning reproduction outside those terms should be sent to the publishers at the above mentioned address.

# Introduction

This section is aimed at officers responsible for guiding the audit committee. It will also be a useful reference guide for an audit committee member wanting to develop greater understanding of the committee's role or access additional resources.

It identifies the underpinning legislation, regulations, guidance or resources that the committee should be referencing in its operations.

It is a supplement to the guides *Audit committee member in a local authority* and the *Police audit committee member* and should be read in conjunction with the appropriate guide. It includes information for both authorities and police bodies.



# Contents

<b>CORE FUNCTIONS OF THE AUDIT COMMITTEE</b> .....	<b>7</b>
MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS.....	7
Good governance .....	7
Ethical values.....	8
Risk management.....	8
Internal controls.....	8
FINANCIAL AND GOVERNANCE REPORTING.....	11
Financial reporting.....	11
Annual governance statements .....	12
Other accountability reports .....	12
SUPPORTING ARRANGEMENTS FOR AUDIT AND ASSURANCE.....	12
Assurance frameworks and assurance planning.....	12
External audit .....	13
Internal audit.....	17
<b>GUIDING THE AUDIT COMMITTEE – WIDER FUNCTIONS</b> .....	<b>19</b>
WIDENING THE WORK OF THE COMMITTEE.....	19
WALES .....	19
TREASURY MANAGEMENT .....	19
SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES.....	20
<b>INDEPENDENCE AND ACCOUNTABILITY</b> .....	<b>21</b>
INTRODUCTION .....	21
SECTOR AND DEVOLVED GOVERNMENT GUIDANCE .....	21
STRUCTURE AND INDEPENDENCE.....	22
Ensuring a dedicated audit committee .....	22
Committee size.....	22
Audit committees for collaborations.....	23
Delegated decision making and voting rights.....	23
ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS .....	23
ACCOUNTABILITY AND THE ANNUAL REPORT .....	24
<b>MEMBERSHIP AND EFFECTIVENESS</b> .....	<b>25</b>
COMPOSITION AND OPERATION OF THE COMMITTEE.....	25
POLITICAL BALANCE.....	25
APPOINTING THE CHAIR OF THE COMMITTEE.....	26
CO-OPTED INDEPENDENTS .....	26
Definition of a co-opted independent or lay member .....	26
MAKING BEST USE OF INDEPENDENT MEMBERS .....	27
Role descriptions for co-opted independent members.....	27
Selection process.....	28
Supporting members of the committee.....	28
Training needs analysis .....	30
Impact and effectiveness .....	30
<b>APPENDICES</b> .....	<b>31</b>



# Core functions of the audit committee

## MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

### Good governance

*Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016) is principles based and informs the approach to good governance adopted by police, local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles in practice.

CIPFA's **Financial Management Code** (FM Code) also attributes responsibility for the Framework to the authority's leadership team. This supports the principle of assurance in the FM Code.

Other useful resources for evaluating governance and identifying governance risks include the research resource co-ordinated by the Centre for Governance and Scrutiny, **The governance risk and resilience framework**. This sets out the risks to good governance and can be used as part of the evaluation process for the annual governance statement (AGS) or as part of other governance development work. Further information on the AGS is included in **Accountability and the annual report**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one of the mechanisms an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses.

In Wales, the **Local Government and Elections (Wales) Act 2021** provides for intervention by Welsh ministers to increase the extent to which a council is meeting the performance requirements.

#### Key references

**Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector (CIPFA/Solace, 2016) as follows.

- **Delivering Good Governance in Local Government: Guidance Notes for English Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities**
- **Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales**

Accounts and audit regulations (various according to location in the UK)

*The governance risk and resilience framework* (Centre for Governance and Scrutiny, 2021)

## Ethical values

As part of the annual governance review, the audit committee should consider how effectively the **Seven Principles of Public Life** are supported and whether the arrangements in place to achieve Principle A of the governance framework are fit for purpose:

*Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.*

Authorities have a standards committee to oversee member conduct and review complaints. This is not a function of the audit committee and combining the two committees should be avoided.

The standards framework for elected members in England was established by the **Localism Act 2011**. English local authorities have a statutory duty to promote and maintain high standards of conduct, and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. The Committee on Standards in Public Life last reviewed standards in local government in 2019. The report recommended some amendments to the Act, but in its 2022 response, the Department for Levelling Up, Housing and Communities (DLUHC) did not commit to these. This remains an active topic that the audit committee should be aware of, and it should understand the steps its authority is taking to promote and ensure good ethical arrangements are in place.

The **Public Sector Internal Audit Standards** (PSIAS) include the ethical framework as a specific area of governance for internal audit work.

Whistleblowing arrangements support the development of ethical conduct and greater transparency and help authorities ensure compliance with the **Public Interest Disclosure Act 1998**. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the committee may wish to review the effectiveness of the whistleblowing arrangements.

### Useful resources

**Upholding Standards in Public Life** (Committee on Standards in Public Life, 2021)

## Risk management

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be considered in determining the role of the audit committee.

Police audit committees are directed in the **Financial Management Code of Practice for the Police Forces of England and Wales** (FMCP) (Home Office, 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements.

Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

## Internal controls

Internal control arrangements will be informed by service requirements and guidance specific to individual areas.

## Financial management

Regarding financial management arrangements, CIPFA's FM Code is a helpful resource to guide and evaluate the adequacy of financial management. The results of the assessment should be shared with the audit committee.

Audit committees in local authorities in Wales and in combined authorities are required to review and scrutinise the authority's financial affairs. Robust arrangements for financial control, understanding financial risks and longer-term financial planning will provide assurance to the committee. The review of financial statements also supports this objective. Care should be taken to not overlap with financial scrutiny. Tasks such as budget monitoring should not be undertaken by the committee.

## Value for money and best value arrangements

Making best use of resources is a key objective for all local authorities and is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available." When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance.

One specific area of activity for the committee will be consideration of the external auditor's wider work, as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows.

- **England:** statutory value for money commentary as defined by the [National Audit Office](#).
- **Scotland:** periodic reviews of best value from [Audit Scotland](#).
- **Wales:** annual improvement reports from [Audit Wales](#).
- **Northern Ireland:** a review of arrangements for the use of resources from [Northern Ireland Audit Office](#).

When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

The [Cities and Local Government Devolution Act 2016](#) requires the audit committee of a combined authority to review and assess the economy, efficiency and effectiveness of resource use in discharging the authority's functions. By reviewing the adequacy of the authority's arrangements, including aspects such as performance management, financial planning and procurement, the audit committee will be able to report and make recommendations to fulfil this responsibility. Where risks to value for money are identified to the audit committee – for example, through the work of internal audit – those concerns need to be escalated for management action.

## Countering fraud and corruption

The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee's responsibility to have oversight of arrangements means that they should be able to judge whether the authority's arrangements are fit for purpose

CIPFA's [Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014) sets out the counter fraud standards for public sector organisations. Sector-specific strategies such as [fighting fraud and corruption locally](#) should also be considered, along with [Integrity matters](#)

(HMICFRS, 2015). The committee should understand the level of fraud risk the authority is exposed to and the implications for the wider control environment.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the **Bribery Act 2010**.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported on in the AGS with reference to the *Code of Practice on Managing the Risk of Fraud and Corruption*. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's (IASAB) guidance on **internal audit's role in counter fraud** (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

### **Partnership governance, collaborations and subsidiaries**

Ensuring that the audit committee has oversight of significant collaboration arrangements or the governance arrangements for the authority's partnerships is important. This is an area of assurance that should be planned as new arrangements are established as well as considered regularly.

Guidance is available in CIPFA publications, including **Successful Collaborations in the Public Services: The Role of Internal Audit** (2021). This highlights some of the governance risks that should be considered in collaborative arrangements, together with the role of internal audit. It highlights the need for the audit committee's oversight of internal audit to extend to their work on collaborations.

CIPFA's **Effective Governance of Collaboration in Policing** (2021) provides an overview of the nature of collaborations in policing and guidance on governance for those arrangements, and other relevant guidance is included in **Principles for section 151 officers working with LEPs** (2018).

Recently, authorities that have the general power of competence have established trading companies to operate more commercial activities, including delivery of services and commercial investments. Some authorities have experienced difficulties with these activities, so the governance, oversight and risk management arrangements in them are likely to be of considerable interest to the audit committee. CIPFA has issued new guidance in 2022 in **Local Authority Owned Companies: A Good Practice Guide**.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee.

## FINANCIAL AND GOVERNANCE REPORTING

### Financial reporting

Local authority financial statements should follow the professional practices set down in the **Code of Practice on Local Authority Accounting in the United Kingdom** (CIPFA/LASAAC). The responsible financial officer is required by statutory provision to sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. These are the unaudited accounts. Currently, deadlines are subject to change because of the COVID-19 pandemic (and because of difficulties resourcing local audit in England). Therefore, it will be important to check the current regulations applicable.

At the time of publication, the latest regulations were as follows.

- In England, **The Accounts and Audit (Amendment) Regulations 2021**. This amends the Accounts and Audit Regulations 2015.
- In Wales, **The Accounts and Audit (Wales) (Amendment) Regulations 2018**. This amends the Accounts and Audit (Wales) Regulations 2014.
- In Scotland, **The Local Authority Accounts (Scotland) Regulations 2014**.
- In Northern Ireland, **The Local Government (Accounts and Audit) (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020**. This amends the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Further details about the requirements of the regulations are in Appendix A.

Prior to the current period of disruption, there had been a trend to reduce the elapsed time from the end of the financial year to the publication of audited statements. For example, under the 2015 regulations for English authorities and policing bodies, in practice, the latest date by which the statements would need to be confirmed (by the responsible finance officer) is 31 May, as the 30 working day period for the exercise of public rights must include the first ten days of June. In CIPFA's view, the timely availability of the statements is important for transparency and accountability.

Under the regulations, Scottish and Northern Irish authorities must all ensure that the financial statements are signed off by the chief financial officer (CFO) by 30 June. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require preparation and publication to be completed by 15 June. Authorities have had flexibility to delay due to COVID-19, but deadlines will revert to those specified in regulations at an appropriate point.

CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit. The committee will also review them at the completion of the audit prior to publication. Authorities will formally approve the financial statements after the completion of the external audit.

The date the statements must be published by is set down in government regulations. Prior to COVID-related amendments, the latest date for publication was 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September, and Northern Irish authorities must publish by 31 October. These dates are intended to reflect the target for the completion of the audit. However, meeting the deadline is not a statutory requirement for the auditor; auditors will aim to meet this date, but their primary concern is to complete the audit to the required auditing standard.

The financial statements are the most technical aspect of the audit committee's remit and one that can be daunting for those elected members with no prior experience of financial reporting or

external audit. The differences in financial reporting practice in the accounts can also be daunting for those used to the presentation of company accounts. Additional attention should therefore be paid to this area when evaluating training needs.

## Annual governance statements

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by an authority body prior to being signed by the leading member and the authority's chief executive. Typically, audit committees undertake the role of reviewing the AGS prior to approval.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. These are set out in **Financial reporting** and in more detail in Appendix A. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

When the AGS is taken to the audit committee for review, it provides an opportunity to sense check the content, ensuring it is consistent with other information and is understandable to a lay reader.

The audit committee should be made aware of any updates to guidance on the AGS issued by CIPFA.

In March 2022, CIPFA's Practice Oversight Panel published an **advisory note on governance**. The note emphasises the importance of ensuring that annual reviews of governance and the AGS are robust. An effective audit committee is one important aspect of ensuring adequate internal challenge.

## Other accountability reports

The audit committee may be asked to comment on or review other accountability reports. If this is consistent with the purpose of the committee, then it may be appropriate – for example, if the report included extracts from the financial statements or AGS. It should always be clear whether the committee is being asked to formally endorse any report and consider whether this involves duplication with the work of other committees.

## SUPPORTING ARRANGEMENTS FOR AUDIT AND ASSURANCE

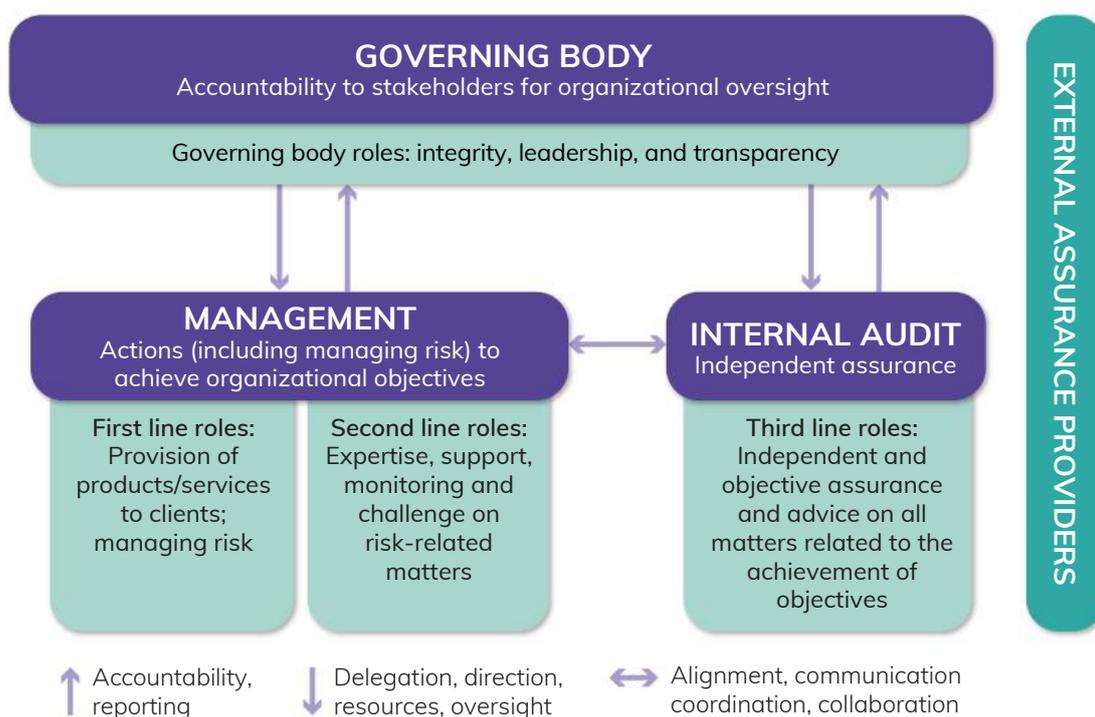
---

### Assurance frameworks and assurance planning

The organisation's leadership team should establish arrangements to provide them with assurance. The purpose of assurance is to provide greater certainty over the operation of internal control arrangements and the implementation of policies and decisions. In practice, an organisation will have a range of different means of obtaining assurance, some of which will already be embedded in management arrangements. Taken together, the suite of assurances forms the framework of assurance for the organisation. Some organisations have taken steps to map or summarise their arrangements in diagrammatic or tabular form.

CIPFA is in the process of establishing more detailed guidance for leadership teams on assurance frameworks, including high-level principles to define assurance frameworks. The purpose of this will be to raise awareness of assurance and the different forms it can take. Developing CIPFA guidance will include the **Three Lines Model** developed by the Institute of Internal Auditors (IIA).

Figure 1: The IIA's Three Lines Model



Copyright © 2020 by The Institute of Internal Auditors, Inc. ("The IIA"). All rights reserved.

Having a good understanding of different sources of assurance is important:

- for managers and the leadership team, to have confidence in how things work in practice
- for the audit committee, to help them fulfil their responsibilities
- for internal auditors, to inform risk assessments, supplement the direct independent audit work the team undertakes, and to inform the head of internal audit's annual opinion.

As well as understanding the organisation's arrangements for obtaining assurance, the audit committee should ensure that it receives the assurances necessary to support its annual report and to play its part in reviewing the AGS. While internal audit and external audit will be significant contributors to the overall assurance, the committee will need to be proactive in specifying additional areas where assurance is needed.

## External audit

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the **Local Audit and Accountability Act 2014**.

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see CIPFA's **Guide to Auditor Panels** (2015).

The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

## Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive guidance from the Financial Reporting Council (FRC) for external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed, but the audit committee's role will be to monitor on an annual basis, or more often when required.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards. The table below summarises the potential threats that external auditors need to consider and manage.

### Understanding the potential threats to external independence

#### Self-interest threat

This is where there are, or are perceived to be, financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

#### Self-review threat

This is where the audit could include a review of work performed or services or advice provided by the same firm or team.

#### Management threat

This is where the auditor has become involved in or associated with decision making at the audited body.

#### Advocacy threat

This is where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

#### Familiarity (or trust) threat

This is where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

#### Intimidation threat

This is where the conduct of the external auditor is influenced by fear or threats from individuals in the audited body.

Full details of the threats are set out in the [Revised Ethical Standard 2019](#) (FRC).

## Receiving and considering the work of external audit

The timetable of external audit work will be shaped by the appropriate Code of Audit Practice under which the audit is being undertaken and the appropriate regulations of the nation.

From time to time, there may be disruption to the routine timetable of audit. For example, the impact of the pandemic and recent difficulties experienced in England by local audit firms have contributed to delays. Where this is the case, the audit committee should actively monitor changes to timetables and audit plans, supporting good communication between the auditor and the authority to manage difficulties in the best possible way. Those officers responsible for liaising with the external auditor should ensure the audit committee is kept informed and any difficulties drawn to their attention at an appropriate stage.

One of the recommendations of the Redmond Review ([Independent review into the oversight of local audit and the transparency of local authority financial reporting](#)) was that the external audit annual report should be submitted to full council by the external auditor. The rationale behind the recommendation was that there were examples where serious issues raised with the audit committee by the external auditor were not then escalated to full council. As all councillors are “charged with governance”, they should be aware of serious issues and the overall results of the audit.

In addition, full council is more visible to the public than the audit committee, so it supports greater transparency. When this recommendation was considered by the stakeholder group advising DLUHC, it was considered important for the audit committee to receive the external auditor’s reports, allowing more in-depth discussion and formulation of recommendations for action in response to issues raised. It suggested that the annual report should be presented to full council in the way suggested by Sir Tony to improve transparency and strengthen the governance response, but it should also be accompanied by a report from the audit committee setting out its suggested response to the report. This was discussed in the technical consultation issued in July 2021 and CIPFA would support this approach.

Although the specific recommendation related to English local authorities, CIPFA would recommend that authorities in the rest of the UK also consider adopting a similar approach, if they do not do so already.

## Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process:

- at the planning stage, understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- during the external audit process, including:
  - assessing whether the external auditor has a good understanding of the authority
  - how the external auditor has responded to areas of audit risk
  - actions taken to safeguard independence and objectivity
- at the reporting and finalisation stages:
  - ensuring there is feedback from key people such as the CFO and the head of internal audit on the conduct of the audit
  - supporting the auditor’s annual report to the full council, PCC, chief constable or other body as appropriate on the basis of its considerations with the audit committee report.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit – for example, the quality reports from the FRC and contract monitoring reports from PSAA. Links to useful resources are provided at the end of the section.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

### Supporting audit quality

The audit committee should be an advocate for high audit quality. Ensuring that quality is maintained provides confidence in the audit opinion and recommendations. In its interactions with the auditors, the committee should be alert to the culture of the auditor and its regard for quality, its customer focus and how the firm creates a positive audit culture. The FRC's recent report [What Makes a Good Audit?](#) (2021) highlights the importance of governance and leadership in the audit firm.

*Senior leadership must live and drive the right values, ethics and behaviours that support high audit quality throughout the firm. There must be a clear link between remuneration/ promotion and audit quality. Learning from audit inspections (internal and external) must be shared across the audit practice and understood, including the sharing of good practice identified within the firm or from external reviews. There must also be an emphasis on the public interest role of audit. At the larger firms, Independent Non-Executives (INEs) already have an important role to play in holding leadership to account for improving audit quality and for driving an appropriate culture and mindset within audit.*

What Makes a Good Audit? (FRC, 2021)

The committee should ask about the auditor's approach to audit quality, including the support and training provided to the team on specialist areas within the scope of the audit. This is a particular consideration in England where audits are undertaken by a firm, as the team may not consist of auditors with extensive local audit experience. It should be noted that the key audit partner must have that experience and knowledge. This was an issue raised by the Redmond Review, and work to improve and support auditors is ongoing. For the firms, achieving improvements in this area is challenging, given wider issues around shortages of appropriate skilled auditors.

The audit committee needs to work with auditors and key officers to ensure that there is a shared understanding of objectives, expectations and outcomes from the audit. It is likely that the committee members will need support and training to improve their knowledge and understanding in this area unless they have had prior experience.

Where there are difficulties in the relationship between auditor and client, the audit committee should seek to support and resolve in an objective way that helps the delivery of a quality and timely audit.

### Assessing audit quality

In determining the committee's role in reporting on external audit, CIPFA has taken account of requirements in other sectors. The [UK Corporate Governance Code](#) (FRC, 2018) expects the audit committee to report annually on its assessment of the independence and effectiveness of external audit. The audit committee annual report should also include a section on external audit. This is addressed in [Independence and accountability](#).

The FRC published [Audit Quality: Practice Aid for Audit Committees](#) in 2019 to help support audit committees. It should be noted that this is not tailored to audit committees in local

government, but some general principles remain relevant for an authority committee. Suggested good practice would be to consider the following areas:

- How the auditor interacts with the audit committee. Examples could include how auditors respond to questions or challenge from the committee and whether communications are open, constructive, informative and regular.
- Evidence from management. For example, the audit committee could ask management for evidence where auditors have challenged judgements and estimates.
- Asking auditors how they have demonstrated professional scepticism.
- Considering how well the auditor has met the agreed audit plan and addressed the risks it has identified.
- The quality of the audit report. For example, is it helpful and does it avoid generic 'boiler plate' content?

The audit committee should also review reports and assessments on their contracted auditor. The national audit bodies publish external reviews of their quality arrangements, and the FRC publishes an annual report of the local audit quality reviews undertaken for each firm. The committee should consider the conclusions on audit quality and areas for improvement and discuss with the auditor if appropriate. In England, PSAA may also publish reviews of interest to the committee on their monitoring of the audit contracts and satisfaction surveys, etc.

#### References and useful resources

[Financial audit quality arrangements](#) (Audit Wales)

[Major Local Audits: Audit Quality Inspection](#) (FRC, 2021)

[Managing audit quality](#) (PSAA)

[Quality of public audit in Scotland annual report 2021/22](#) (Audit Scotland)

[Quality assurance review 2021 executive summary](#) (Northern Ireland Audit Office)

## Internal audit

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS, and for local government bodies, the [Local Government Application Note \(LGAN\) for the UK PSIAS](#) (CIPFA, 2019). All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the mission of internal audit, code of ethics, definition of internal auditing and the core principles for the professional practice of internal auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board usually.

The role of the audit committee in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should consider internal audit's quality assurance and improvement programme (QAIP) when conducting such a review.

The **CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations** (2019) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service. For the head of internal audit to operate an effective internal audit arrangement, the authority has a responsibility to ensure that they can operate effectively and perform their core duties. This responsibility exists regardless of the method of delivery of internal audit, whether in-house, outsourced or through some form of shared arrangement. The audit committee plays an important role in supporting the effectiveness of those arrangements in accordance with the CIPFA statement.

The committee should develop sufficient understanding of the effectiveness of internal audit and its adherence to professional standards. While helping to ensure that the right organisational arrangements are in place to support the internal audit service, the committee should also hold internal audit to account for the following:

- Conformance with professional standards.
- Effective management of resources.
- Focus on risks and assurance needs.
- Delivery of required outputs.
- Impact.

In 2022, CIPFA published **Internal audit: untapped potential** – a research report examining how internal audit supports public sector organisations and opportunities for the future. It features the results of an extensive survey that included management clients and audit committee members, as well as internal auditors. Included within are recommended topics that audit committee members should consider and discuss with their head of internal audit to help ensure that their organisation is getting the best out of internal audit.

# Guiding the audit committee – wider functions

## WIDENING THE WORK OF THE COMMITTEE

---

This chapter sets out relevant guidance where additional responsibilities are brought within the scope of the committee. The scope should not be extended so broadly that the committee effectively becomes a joint committee with other priorities. The areas covered in the guidance are relevant as a result of legislation or other standards.

## WALES

---

Governance and audit committees in Wales will need to have regard to the Local Government and Elections Wales Act 2021 in agreeing their terms of reference and conducting business.

The significant difference is the requirement to review the draft self-assessment or panel assessment report and make recommendations. The performance assessments are a new requirement introduced by the 2021 Act. Statutory guidance has been produced in **Performance and governance of principal councils** (2021).

In undertaking this role, CIPFA recommends distinguishing between the committee and the performance monitoring that scrutiny committees will have undertaken, which will be a contributory part of the self-assessment.

To enable the committee to perform its role effectively, members will need to be briefed on the requirements of the Act and supporting statutory guidance.

## TREASURY MANAGEMENT

---

CIPFA's **Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes** (2021) requires all local authorities to adopt four clauses defining responsibilities for treasury management.

It is possible for the audit committee to be nominated to undertake the scrutiny role.

*This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.*

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Treasury Management Code clauses, as these are executive and decision-making roles rather than a scrutiny role.

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C, and these can be used to support a training needs assessment and to plan development.

## SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

---

Where an authority has undergone an external inspection, peer review or other intervention, an improvement programme will be developed. It will be important for the audit committee to play its part in supporting the effective implementation of agreed actions.

The primary role of the committee is to receive assurances that implementation of the programme is on track. The programme will have links to external audit reports, future audit risk assessments and the AGS, so it is important that the committee is aware of the overall progress. A significant programme may have a dedicated board that can provide an update to the committee to fulfil its assurance needs.

There may be aspects of the programme that directly link to the work of the committee – for example, the adequacy of financial management arrangements or internal audit. In such cases, the committee may be more actively involved in monitoring progress.

# Independence and accountability

## INTRODUCTION

---

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance.' In the police sector, both the PCC and chief constable are separate corporations sole, so each will fulfil the role of 'those charged with governance.'

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

- Any statutory guidance applicable to the sector.
- Independence from the executive and political allegiances.
- How the structure of the committee can support its effective operation.

Each of these elements is considered in more detail in the following sections.

## SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

---

The local authority and police sectors are subject to differing laws and regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences because of specific statutory guidance and regulations, including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Audit committees in Wales have a clear statutory role established by the **Local Government (Wales) Measure 2011** and updated in the **Local Government and Elections (Wales) Act 2021**. The Welsh Government has provided statutory guidance on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance.

The Cities and Local Government Devolution Act 2016 requires combined authorities to establish an audit committee where at least one member must be appointed as an independent member.

The Home Office's **Financial Management Code of Practice for the Police Forces of England and Wales** (the FMCP) (2018) requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The **Policing and Crime Act 2017** enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC fire and rescue authority (PCC FRA). The 2018 edition of the FMCP includes guidance concerning audit committees in this event.

Those supporting audit committees should be aware of other regulations, including the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland. These regulate functions such as internal audit and the timing of the AGS review and the accounts. These functions should be undertaken by the audit committee, and the committee should have regard to the regulations.

## STRUCTURE AND INDEPENDENCE

---

### Ensuring a dedicated audit committee

In some local authorities, the audit committee has been combined with other committees. CIPFA recommends that the audit committee should have no other functions, and explicitly no decision-making role. The most common combinations adopted by authorities have been an audit and scrutiny committee or audit and standards committee. CIPFA recommends these are separated.

Sometimes the audit committee is given a different title, such as 'governance and audit' or 'audit and risk' committee. This would not be a problem if the terms of reference are consistent with the **CIPFA Position Statement**. Care should be taken to not delegate additional responsibilities that conflict with or dilute the audit committee focus.

The Centre for Governance and Scrutiny published **Audit committees and scrutiny committees: working together** (2021) to help understand the difference between scrutiny and audit committees. CIPFA contributed to the resource to help ensure it was consistent with its 2018 guidance on audit committees. It helps scrutiny members understand how the audit committee role is different but complementary and identifies opportunities for the committees to work constructively together.

### Committee size

Police audit committees should follow the FMCP guidance on a committee size of three to five members. In determining size, consider the quorum for meetings, as three allows little flexibility for meeting quorum at every scheduled meeting.

The sections on **Membership** and **Accountability** cover the composition of the committee between elected members and co-opted independents in an authority.

Committee size and composition are subject to legislation in some local authorities but not all.

Appendix A sets out the legislation for Wales and combined authorities in England.

In sectors outside local government, it is typical for audit committees to have fewer than six members. Among local authorities, there is a range of practice, including some committees that exceed ten members. In the sector, it can be harder to achieve the depth of knowledge and experience that is desirable with a small number, but equally it can be difficult to provide training and development for a large group.

CIPFA's recommendation is that a committee size of no more than eight members should be established. This allows sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA also recommends that the use of substitutes on the committee is avoided. Substitute members are less likely to have received relevant training. It also disrupts the continuity of the committee, where committee members can build on information received in previous meetings. We have found that where committee members are regularly substituted, it is an indication of lack of engagement with the committee's purpose and agenda.

## Audit committees for collaborations

Where an authority has a significant level of joint or collaborative working, there may be some value in considering the constitution of a shared audit committee. This will be particularly appropriate if there is a shared management team and single functions for finance, audit and risk management. There will need to be a formal agreement that sets out how the balance of representation between the partners will be decided, reporting lines and how the chair will be selected.

## Delegated decision making and voting rights

Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role. It also means that authorities will need to have regard to Section 13 of the **Local Government and Housing Act 1989**, which relates to the voting rights of non-elected committee members. Independent members cannot vote on matters for decision, whereas making recommendations to another decision-making body would not be impacted.

CIPFA recommends that the audit committee remains an advisory committee and does not have delegated powers.

## ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

---

In planning the number and timing of meetings and the committee agendas, key dates in the reporting and audit cycle will be important. In addition, the need for the committee to meet the expectations of auditing standards (both internal and external audit) in providing appropriate oversight will mean space on agendas should be found for these topics.

The CIPFA *Statement on the Role of the Head of Internal Audit in Public Service Organisations* (2019) emphasises the importance of organisational support for the role, including direct reporting lines to the audit committee and good engagement between the committee and head of internal audit. Providing the facility for private meetings between the head of internal audit and the audit committee will signal the importance of maintaining the independence of internal audit.

While private meetings between the committee and internal and external audit help to build a trusted relationship, those concerned should always make sure that the meeting is not used as a substitute for escalating governance concerns with responsible officers. The private meeting should always be in accordance with other principles of good practice – non-political and supporting transparent and accountable good governance.

Ensuring there is good support for the committee in agenda planning, minute taking, guidance and communications will help to build member confidence in the committee.

Providing a protocol about access to information that includes provision for co-opted independents will help to ensure clarity for both the committee members and officers. Members need to be confident that they have sight of relevant information in a timely way. There may be operational reasons why information is not immediately available or has to be treated in confidence, but it is important to explain this adequately.

## ACCOUNTABILITY AND THE ANNUAL REPORT

---

CIPFA has recommended that the audit committee should produce an annual report since the 2013 edition of this guidance. In this latest edition, the annual report is given greater prominence and has been included in the Position Statement. The report should be used to provide accountability to those charged with governance on compliance with the Position Statement and performance and provide assurance over the areas within its terms of reference.

The timing of the report will need to take account of whether there will be changes in committee membership – for example, because of elections or rotation of committee members at annual meetings. The conclusions of the report can support the AGS.

It is for the committee chair to prepare the annual report in consultation with the members, although some support may be required to check accuracy or provide supporting information. Developing the report will ensure the committee is better placed for any future policy developments that might expect more from accountability disclosures.

# Membership and effectiveness

## COMPOSITION AND OPERATION OF THE COMMITTEE

---

The composition of the committee will be one of the key factors in achieving a good audit committee. Some local government bodies will need to follow specific rules on composition. These are referenced below.

The composition of the audit committee for Welsh local authorities is determined by the Local Government and Elections (Wales) Act 2021, which requires local authority audit committees to have one-third lay members and a lay member as chair. The 2021 Act amended the Local Government Measure 2011, which established that only one of the committee's members may be from the council's executive, and this must not be the leader or the elected mayor.

Combined authorities in England are required to establish an audit committee by the Cities and Local Government Devolution Act 2016. The Act and the subsequent **Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017** require combined authority audit committees to include at least one independent member. The definition of independent is set out in Part 4 of the Order.

The FMCP determined that audit committees in policing must be composed solely of independent members.

## POLITICAL BALANCE

---

One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. Any audit committee that is a properly constituted committee of a local authority will need to abide by the rules concerning political balance, as outlined in Section 15 of the Local Government and Housing Act 1989. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

The **Local Government (Democracy) (Wales) Act 2013** inserted a requirement into the 2011 Measure for the audit committee to be politically balanced. This has not changed as a result of the 2021 Act.

The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 requires the audit committee to be politically balanced, taking into account the constituent councils.

Where the committee is strictly advisory and not subject to other requirements, full council can vote to waive the political balance requirement and specify other criteria to decide who should serve on the committee. For example, the selection of members with relevant knowledge and expertise could be prioritised.

The length of tenure of an elected representative on the committee will be influenced by the need to maintain political balance (if applicable) as well as other factors. In principle, establishing continuity on the committee is helpful to make the best of knowledge and experience. Some

rotation is also helpful to bring in a new perspective. CIPFA would suggest that two full terms on the committee would be a reasonable maximum.

## APPOINTING THE CHAIR OF THE COMMITTEE

---

Unless there is specific legislation or guidance in place on the selection of the committee chair, authorities can determine their own approach. To try and emphasise the independence and apolitical nature of the committee, some authorities specify that the position should be occupied by an 'opposition' member. This approach may be appropriate for some but will not be possible for all authorities – for example, where there are few opposition members.

## CO-OPTED INDEPENDENTS

---

### Definition of a co-opted independent or lay member

There are some definitions set out in legislation for some audit committees but not all.

The Local Government and Elections (Wales) Act 2021 defines a lay member as a person who:

- is not a member or an officer of any local authority
- has not been a member or an officer of any local authority in the last 12 months
- is not the spouse or civil partner of a member or officer.

Co-opted independent members of audit committees for combined authorities should be in accordance with the 2017 Order as follows.

- Not a member, co-opted member or officer of the authority.
- Not a member, co-opted member or officer of a parish council in the area of the principal authority.
- Not a relative or close friend of one of the above.
- Not a member, co-opted member or officer of the authority or parish council in the last five years.

There are no statutory definitions of 'independent' for audit committee members in local authorities in England, Scotland or Northern Ireland.

The independent members of the police audit committees in England and Wales must all be independent of the PCC and the force. The FMCP does not define this any further.

Where there is no established definition, authorities are recommended to establish their own policy before commencing recruitment. This will provide clarity to potential candidates and support the independence of the committee. CIPFA would suggest alignment to the combined authority requirements as the basis for a suitable policy.

As long as any requirements are met, it is possible for an individual to be a co-opted member of more than one local government body.

## MAKING BEST USE OF INDEPENDENT MEMBERS

There are some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members in local authorities can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
- Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

These factors should be considered when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

### Role descriptions for co-opted independent members

Where the authority is recruiting members to co-opt onto the audit committee, a clear role description should be established. The following areas should be addressed:

- The role of the co-opted independent, including expected time commitment and location of meetings.
- The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
- The definition of 'independent' applicable to the role.
- Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
- Vetting requirements (particularly for police committee members).
- Desired knowledge, experience and skills.
- Remuneration and expenses.
- The expected conditions of engagement, including adherence to the authority's code of conduct, disclosure of interests, etc.

Consideration should also be given to attracting suitable candidates. While it is up to each authority to decide, authorities may want to consider the following:

- Selecting candidates beyond the local area. If candidates are able and willing to travel to attend the required meetings and supporting activities, then living outside the authority area should not be a barrier to suitability.
- Working with other authorities in the region to promote and support opportunities to be an independent member.
- Advertising nationally or using specialist agencies if professional knowledge and skills are required.
- Promoting the role through means in addition to advertising. For example, a change to the constitution of the audit committee could be part of a wider governance improvement programme that could be publicised locally or through council channels of communication.
- Council orientation and support that will be provided in the role.

- The opportunity for an informal discussion on the role with a senior officer or committee chair.
- Ensuring an easy application process (see below).

Under the combined authorities order, the vacancy must be publicly advertised.

## Selection process

The authority's HR team will be able to advise on the process for recruitment. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter, and adopting this approach may assist in attracting candidates. This may be a deviation from the process of recruiting a member of staff, however, so early discussion with HR is advised.

The format of selection is for the authority to decide, but inclusion of the current committee chair in some way would be helpful for the candidate.

As well as a formal interview, candidates could be invited to meet the PCC, chief constable or deputy chief constable, senior councillors or officers to emphasise the value of the committee.

## Supporting members of the committee

Establishing a training programme and ongoing support for committee members is essential to ensure that they can confidently and effectively discharge their responsibilities. Establishing a budget will ensure that training can be ongoing rather than ad hoc.

Exact needs will depend on the composition of the committee and members' existing knowledge and experience. The following table sets out the core elements.

Development area	Core content	Target audience
<b>Induction – the authority</b>	<p>Introduction to the authority, including:</p> <ul style="list-style-type: none"> <li>• governance structures</li> <li>• plans, strategies and priorities of the authority</li> <li>• local government context.</li> </ul>	Primarily for co-opted independent members who are new to local government/police.
<b>Induction – the audit committee</b>	<ul style="list-style-type: none"> <li>• Terms of reference.</li> <li>• CIPFA Position Statement and guidance.</li> <li>• Key relationships – CFO, head of internal audit, external auditor, committee support.</li> </ul>	All members new to the committee.
<b>Core knowledge areas</b>	<p>Basic knowledge for all areas outlined in the knowledge framework.</p> <ul style="list-style-type: none"> <li>• Good governance and ethical framework</li> <li>• Risk management</li> <li>• Internal controls</li> <li>• Financial management</li> <li>• Value for money</li> <li>• Counter fraud and corruption</li> <li>• Partnerships and collaborations</li> <li>• Assurance framework</li> <li>• Financial reporting</li> <li>• Annual governance statement</li> <li>• Internal audit</li> <li>• External audit</li> <li>• Treasury management (where applicable)</li> <li>• Performance assessment (Wales) (where applicable)</li> </ul>	All members of the committee, tailored appropriately to existing knowledge.
<b>Briefings and guidance</b>	<p>Targeted support for members on:</p> <ul style="list-style-type: none"> <li>• aspects where members need additional support, eg guidance on understanding the financial statements</li> <li>• the development of more in-depth knowledge and understanding</li> <li>• ad hoc briefings on new developments in the sector (for example CIPFA’s audit committee update resource, horizon scanning updates from external auditors, etc)</li> <li>• updates on new developments or changes at the authority.</li> </ul>	<p>All members.</p> <p>Co-opted independent members.</p>
<b>Webinars, training and networking events</b>	<ul style="list-style-type: none"> <li>• Attending relevant webinars or events to develop more in-depth knowledge or updates.</li> <li>• Networking and sharing with audit committee members in other authorities to learn from others and build a network of support.</li> <li>• A range of formal events and webinars are available from a range of providers, eg regional forums.</li> </ul>	Chairs and all members

## Training needs analysis

It is helpful to undertake an analysis of training needs to identify which areas should be prioritised for training and support. Some of the core areas involve technical standards and are complex – for example, financial reporting, audit quality and treasury management. These will need regular attention to maintain committee effectiveness.

The knowledge framework can help with a training needs analysis. It can be done at any point, but the annual assessment should reflect on whether the analysis is up to date and the planned programme of support sufficient to address the priority areas.

## Impact and effectiveness

To develop the committee and provide assurance via the annual report, it is recommended that the committee is supported in a self-assessment. Alternatively, an independent review can be undertaken.

The appendices provide resources to support self-assessment and to encourage reflection on the impact that the committee has.

CIPFA has identified key indicators to inform the performance review of the audit committee. These indicators are all aspects of governance, risk, control and audit that are within the audit committee's scope of influence. While they are not solely within the control of the audit committee, weakness in these areas could indicate that the audit committee is failing to have sufficient impact.

## Problem solving

Where self-assessment indicates problems, or where those interacting with the committee report it to be under-performing, swift diagnosis and action should be planned. Appendix D highlights some areas of difficulty the committee might experience. Usually, problems arise because of misapprehension of the committee's role or inadequate training or support. Occasionally, behaviours from individual members can also contribute. These issues may be more difficult to resolve, especially if they are symptomatic of wider governance problems in the authority.

Significant weakness in the audit committee is likely to be highlighted by the external auditor as part of their governance review or as part of a peer review.

# Sector and devolved government guidance

## PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<a href="#"><u>Cities and Local Government Devolution Act 2016.</u></a> <a href="#"><u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u></a>	<a href="#"><u>Local Government (Wales) Measure 2011</u></a> as amended by the <a href="#"><u>Local Government (Democracy) (Wales) Act 2013.</u></a> <a href="#"><u>Local Government and Elections (Wales) Act 2021.</u></a>	<a href="#"><u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u></a> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
<b>Specified functions of the audit committee</b>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
<b>Responsibilities of the audit committee in relation to external audit</b>	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

## PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

<b>Local authorities in England (including combined authorities and fire and rescue authorities)</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit (England) Regulations 2015</u></a>
<b>Local authorities in Wales</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit Regulations (Wales) 2014</u></a> and the <a href="#"><u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u></a>
<b>Local authorities in Scotland</b>	
Relevant government guidance	<a href="#"><u>Local Authority Accounts (Scotland) Regulations 2014</u></a>
<b>Local authorities in Northern Ireland</b>	
Relevant government guidance	<a href="#"><u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u></a>
<b>Police in England</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit (England) Regulations 2015</u></a> (see also the statutory guidance <a href="#"><u>Financial Management Code of Practice for the Police Forces of England and Wales</u></a> (FMCP) (Home Office, 2018))
<b>Police in Wales</b>	
Relevant government guidance	<a href="#"><u>Accounts and Audit Regulations (Wales) 2014</u></a> and the <a href="#"><u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u></a> (see also the <a href="#"><u>FMCP</u></a> )

### Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.



# Suggested terms of reference – local authority

## INTRODUCTION

---

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

## SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

---

### Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Financial and governance reporting

### Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

### Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

### External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

# Suggested terms of reference – police

## INTRODUCTION

---

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

## SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

---

### Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

### Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Financial and governance reporting

### Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

### Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

### External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

### **Internal audit**

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress in the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

# Audit committee members – knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<b>Organisational knowledge</b>	<ul style="list-style-type: none"> <li>An overview of the authority's governance structures and decision-making processes.</li> <li>Knowledge of the organisational objectives and major functions of the authority.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.</li> </ul>
<b>Audit committee role and functions</b>	<ul style="list-style-type: none"> <li>An understanding of the audit committee's role and place within the governance structures.</li> <li>Familiarity with the committee's terms of reference and accountability arrangements.</li> <li>Knowledge of the purpose and role of the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</li> <li>It will help the committee undertake a self-assessment and prepare its annual report.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Knowledge of the seven principles as outlined in <b><u>Delivering Good Governance in Local Government: Framework</u></b> (CIPFA/Solace, 2016).</li> <li>The requirements of the AGS.</li> <li>How the principles of governance are implemented locally as set out in the local code of governance.</li> </ul>	<ul style="list-style-type: none"> <li>The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework.</li> <li>The committee will plan the assurances it is to receive to adequately support the AGS.</li> <li>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</li> <li>The committee will receive audit reports and information on risks relating to governance.</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> <li>• An awareness of the key principles of the PSIAS and the LGAN.</li> <li>• Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter.</li> <li>• How the role of the head of internal audit is fulfilled.</li> <li>• Details of the most recent external assessment and level of conformance with the standards.</li> <li>• Internal audit's strategy, plan and most recent annual opinion.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</li> <li>• The audit committee will review the assurances from internal audit work and will review the risk-based audit plan.</li> <li>• The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</li> <li>• In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</li> <li>• The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.</li> </ul>
Financial management and financial reporting	<ul style="list-style-type: none"> <li>• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</li> <li>• An understanding of good financial management practice as set out in the CIPFA <b><u>Financial Management Code</u></b> (FM Code) and the level of compliance with it.</li> <li>• Knowledge of how the organisation meets the requirements of the role of the CFO as required by <b><u>The Role of the Chief Financial Officer in Local Government</u></b> (CIPFA, 2016) and <b><u>The Role of CFOs in Policing</u></b> (2021).</li> <li>• An overview of the principal financial risks the authority faces.</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewing the financial statements prior to publication, asking questions.</li> <li>• Receiving the external audit report and opinion on the financial audit.</li> <li>• Reviewing both external and internal audit recommendations relating to financial management and controls.</li> <li>• The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.</li> </ul>
External audit	<ul style="list-style-type: none"> <li>• Knowledge of the role and functions of the external auditor and who currently undertakes this role.</li> <li>• Knowledge of the key reports and assurances that external audit will provide.</li> <li>• Familiarity with the auditor's most recent plan and the opinion reports.</li> <li>• Knowledge about arrangements for the appointment of auditors and quality management undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee will meet with the external auditor regularly and receive their reports and opinions.</li> <li>• Monitoring external audit recommendations and maximising the benefit from the audit process.</li> <li>• The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> <li>Understanding of the principles of risk management, including how it supports good governance and decision making.</li> <li>Knowledge of the risk management policy and strategy of the organisation.</li> <li>Understanding of risk governance arrangements, including the role of members and of the audit committee.</li> <li>Knowledge of the current risk maturity of the organisation and any key areas of improvement.</li> </ul>	<ul style="list-style-type: none"> <li>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements.</li> <li>Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</li> <li>The committee should also review reports and action plans to develop the application of risk management practice.</li> </ul>
Counter fraud	<ul style="list-style-type: none"> <li>An understanding of the main areas of fraud and corruption risk that the organisation is exposed to.</li> <li>Knowledge of the principles of good fraud risk management practice in accordance with the <b><u>Code of Practice on Managing the Risk of Fraud and Corruption</u></b> (CIPFA, 2014).</li> <li>Knowledge of the organisation's arrangements for tackling fraud.</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</li> <li>An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</li> </ul>
Values of good governance	<ul style="list-style-type: none"> <li>Knowledge of the Seven Principles of Public Life.</li> <li>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct).</li> <li>Knowledge of the whistleblowing arrangements in the authority.</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</li> <li>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</li> </ul>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <li><b><u>Effective Scrutiny of Treasury Management</u></b> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>regulatory requirements</li> <li>treasury risks</li> <li>the organisation's treasury management strategy</li> <li>the organisation's policies and procedures in relation to treasury management.</li> </ul> </li> </ul> <p>See also <b><u>Treasure your assets</u></b> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> <li>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</li> </ul>

## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

---

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

## CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
<b>Strategic thinking and understanding of materiality</b>	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
<b>Questioning and constructive challenge</b>	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
<b>Focus on improvement</b>	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
<b>Able to balance practicality against theory</b>	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
<b>Clear communication skills and focus on the needs of users</b>	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
<b>Objectivity</b>	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
<b>Meeting management skills</b>	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.



# Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
<b>Lack of experience and continuity of knowledge among audit committee members.</b>	<ul style="list-style-type: none"> <li>Where turnover of membership is very frequent, it will be difficult for the committee to build up experience.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.</li> </ul>
<b>Audit committee members do not feel confident in their knowledge of particular areas.</b>	<ul style="list-style-type: none"> <li>Lack of training and support.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members.</li> </ul>
<b>Independent members lack knowledge of the organisation and lack connections with key managers.</b>	<ul style="list-style-type: none"> <li>Poor induction.</li> <li>Limited opportunities to engage with the organisation outside of formal meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Improve induction.</li> <li>Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.</li> </ul>
<b>Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.</b>	<ul style="list-style-type: none"> <li>Lack of experience or skill in managing meetings by the chair.</li> <li>Committee members are unsure about their role.</li> <li>Poor support from the committee secretary.</li> </ul>	<ul style="list-style-type: none"> <li>Training and support.</li> <li>Develop a mentoring/coaching programme.</li> <li>Chair seeks feedback from meeting participants.</li> <li>Consider skills and experience in the selection of the chair.</li> <li>Provide training and guidance to committee members on their role.</li> <li>Improve committee support.</li> </ul>
<b>The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.</b>	<ul style="list-style-type: none"> <li>Agenda management fails to prioritise key areas.</li> <li>The chair does not intervene to keep the focus at an appropriate level.</li> </ul>	<ul style="list-style-type: none"> <li>Review the process of agenda development.</li> <li>Review the terms of reference and provide training.</li> <li>The chair seeks feedback from meeting participants.</li> <li>Provide the chair with committee management training.</li> </ul>

Areas of difficulty	Possible causes	Possible improvement options
<b>The committee lacks focus, and members struggle to gain an overall understanding of their remit.</b>	<ul style="list-style-type: none"> <li>• Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters.</li> <li>• The committee is too large or lacks continuity because of regular attendance by substitutes.</li> <li>• Infrequent attendance by senior officers.</li> </ul>	<ul style="list-style-type: none"> <li>• Training and emphasis on the non-political and strategic focus of the committee.</li> <li>• Reform of the committee structure to reduce membership and remove use of substitutes.</li> </ul>
<b>Senior officers do not understand the work of the committee and are not sighted on its output.</b>	<ul style="list-style-type: none"> <li>• The audit committee fails to engage with other committees in the authority.</li> <li>• Attendance is often limited to the CFO and the head of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.</li> </ul>
<b>Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.</b>	<ul style="list-style-type: none"> <li>• Committee recommendations are not directed to appropriate member bodies.</li> <li>• Reporting arrangements are not effective.</li> <li>• Wider induction arrangements do not cover the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Invite newly elected members to attend audit committee meetings.</li> <li>• Review reporting and accountability arrangements.</li> <li>• Prepare an annual report that sets out how the committee has fulfilled its responsibilities.</li> <li>• Share the CIPFA guidance (FAQs).</li> </ul>
<b>Recommendations made by the audit committee are not actioned.</b>	<ul style="list-style-type: none"> <li>• A poor relationship between the committee and the executive or senior officers.</li> <li>• The audit committee's recommendations are not adequately aligned to organisational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• A senior officer provides internal facilitation to support improved relationships.</li> <li>• Improve knowledge and skills among audit committee members.</li> <li>• Ensure better engagement with appropriate managers or the executive at an earlier stage.</li> </ul>
<b>The audit committee fails to make recommendations or follow up on issues of concern.</b>	<ul style="list-style-type: none"> <li>• A weak or inexperienced chair.</li> <li>• Members are inexperienced or do not fully understand their role.</li> <li>• Poor briefing arrangements prior to meetings.</li> <li>• Committee reports fail to adequately identify the action required by the committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide guidance and support.</li> <li>• Improve briefing to the chair prior to the meeting.</li> <li>• Ensure reports contain clear recommendations.</li> </ul>
<b>The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.</b>	<ul style="list-style-type: none"> <li>• The terms of reference do not adequately scope the work of the committee.</li> <li>• Misunderstanding about the role of the committee.</li> <li>• Inadequate guidance from the committee secretary to the chair on its role.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the terms of reference and provide training and guidance.</li> </ul>

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> <li>• A lack of understanding about the role of the committee.</li> <li>• Difficulty separating the work of the committee from the wider politics of authority.</li> </ul>	<ul style="list-style-type: none"> <li>• Seek feedback from those interacting with the committee or external assessment.</li> <li>• Provide support or training for the chair.</li> <li>• Consider the role of independent members.</li> </ul>
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> <li>• A lack of understanding about the role of the committee.</li> <li>• Differing perceptions on the value of the committee</li> <li>• Personality clashes.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the terms of reference and provide training and guidance.</li> <li>• A senior officer provides internal facilitation to support improved relationships.</li> <li>• Seek an external assessment or facilitation.</li> <li>• Change the chair or membership if the constitution or opportunity arises.</li> </ul>



# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>				
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>				
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>				
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>				
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>				
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>				

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

<b>13</b> Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>	<input type="checkbox"/>				
<b>14</b> Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>				
<b>15</b> Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>				
<b>16</b> Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>				
<b>17</b> Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>				
<b>18</b> Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>				
<b>19</b> Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>				

### Effectiveness of the committee

<b>20</b> Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>				
<b>21</b> Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>				
<b>22</b> Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>				
<b>23</b> Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>				

Good practice questions	Does not comply					Partially complies and extent of improvement needed			Fully complies	
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>									
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>									
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>									
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>									
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>									
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>									
<b>Subtotal score</b>	<input type="checkbox"/>									
<b>Total score</b>										
<b>Maximum possible score</b>									<b>200**</b>	

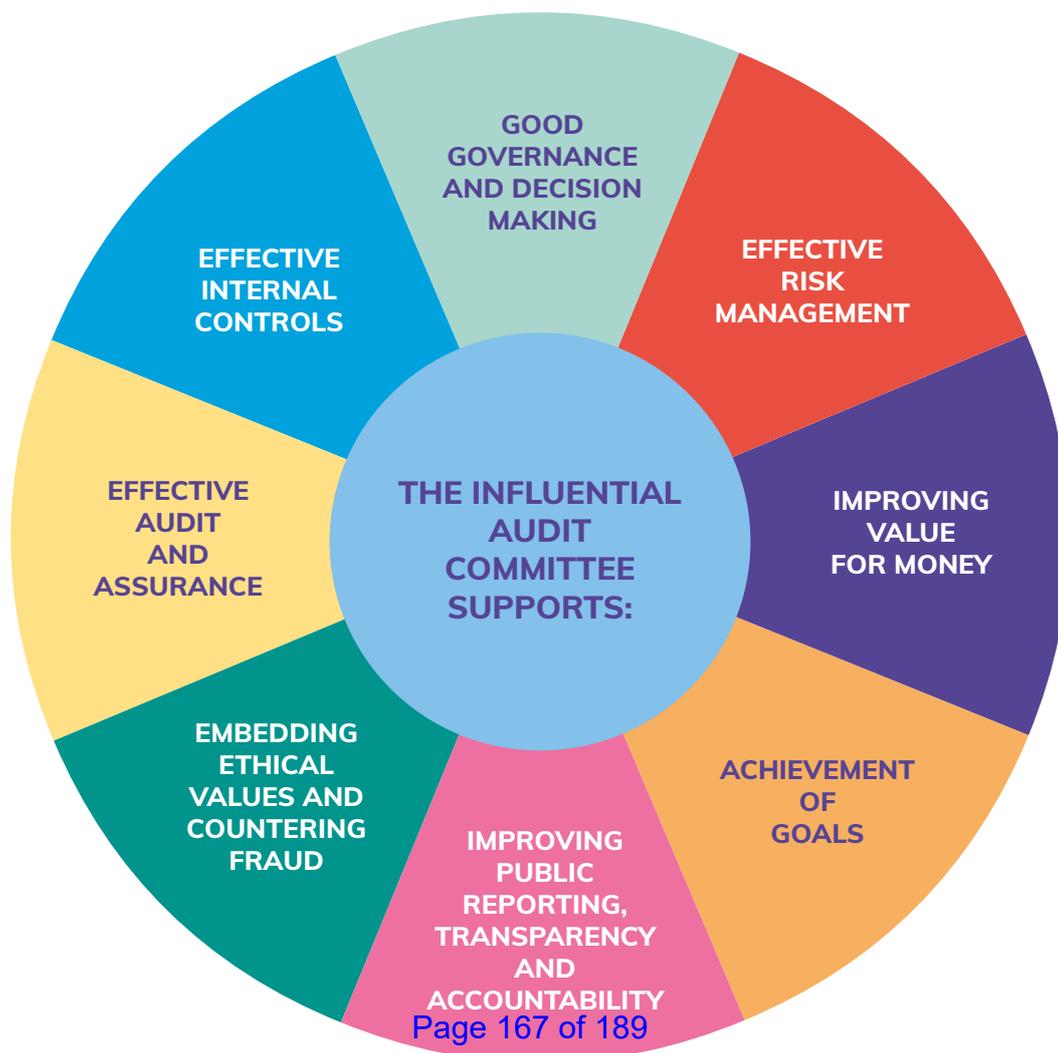
\*\* 40 questions/sub-questions multiplied by five.

# Evaluating the impact and effectiveness of the audit committee

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**



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
Promoting the principles of good governance and their application to decision making.	<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>	
Contributing to the development of an effective control environment.	<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>	

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
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<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>	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<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>	
Supporting effective external audit, with a focus on high quality and timely audit work.	<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>	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<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 <b><u>Statement on the Role of the Head of Internal Audit</u></b> (2019).</li> </ul>	

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><b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b></p>	<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>	
<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<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>	
<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<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>	

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 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"> <li>Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>Publishing an annual report from the committee.</li> </ul>	<ul style="list-style-type: none"> <li>The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	

## 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.

77 Mansell Street, London E1 8AN  
+44 (0)20 7543 5600

[\*\*cipfa.org/\*\*](https://cipfa.org/)

10/2022

## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

# Evaluating the impact and effectiveness of the audit committee

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**



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
<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>

<p><b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b></p>	<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 (2019)</a>.</li> </ul>
<p><b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b></p>	<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>
<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<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>
<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<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>

**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.
-

## 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.

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>				
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>				
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>				
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>				
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>				
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>				

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed			Fully complies	
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:										
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>									
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>									
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>									
<b>Functions of the committee</b>										
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?										
Governance arrangements	<input type="checkbox"/>									
Risk management arrangements	<input type="checkbox"/>									
Internal control arrangements, including:	<input type="checkbox"/>									
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>	<input type="checkbox"/>									
Annual governance statement	<input type="checkbox"/>									
Financial reporting	<input type="checkbox"/>									
Assurance framework	<input type="checkbox"/>									
Internal audit	<input type="checkbox"/>									
External audit	<input type="checkbox"/>									
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>									
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>									
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>									

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

<b>13</b> Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>	<input type="checkbox"/>				
<b>14</b> Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>				
<b>15</b> Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>				
<b>16</b> Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>				
<b>17</b> Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>				
<b>18</b> Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>				
<b>19</b> Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>				

### Effectiveness of the committee

<b>20</b> Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>				
<b>21</b> Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>				
<b>22</b> Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>				
<b>23</b> Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>				

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Subtotal score</b>					
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.

---

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>06 SEPTEMBER 2023</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>TRACY BINGHAM (01283 595811)</b> <a href="mailto:tracy.bingham@southderbyshire.gov.uk">tracy.bingham@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>COMMITTEE WORK PROGRAMME</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: G</b>

---

**1.0 Recommendations**

1.1 That the Committee considers and approves the updated work programme.

**2.0 Purpose of Report**

2.1 The Committee is asked to consider the updated work programme.

**3.0 Detail**

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

**4.0 Financial Implications**

4.1 None arising directly from this report.

**5.0 Background Papers**

5.1 Work Programme.

**Audit Sub-Committee  
Work Programme for the Municipal Year 2023/24**

<b>Work Programme Area</b>	<b>Date of Committee Meeting</b>	<b>Contact Officer (Contact details)</b>
Internal Audit Annual Report 2022-23	21 June 2023	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Internal Audit Progress Report 2022-23	21 June 2023	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Local Code of Corporate Governance Review	21 June 2023	<a href="mailto:Ardip.sandhu@southderbyshire.gov.uk">Ardip.sandhu@southderbyshire.gov.uk</a>
Annual Governance Statement 2022/23	21 June 2023	<a href="mailto:Ardip.sandhu@southderbyshire.gov.uk">Ardip.sandhu@southderbyshire.gov.uk</a>
Internal Audit Progress Report 2023-24	06 September 2023	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Audit Committee – Self Assessment	06 September 2023	<a href="mailto:Tracy.bingham@southderbyshire.gov.uk">Tracy.bingham@southderbyshire.gov.uk</a>
Internal Audit Progress Report 2023-24	18 October 2023	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Internal Audit Progress Report 2023-24	06 December 2023	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Level of Materiality 2023/24 Accounts	06 March 2024	<a href="mailto:Tracy.bingham@southderbyshire.gov.uk">Tracy.bingham@southderbyshire.gov.uk</a>
Accounting Policies 2023/24	06 March 2024	<a href="mailto:Tracy.bingham@southderbyshire.gov.uk">Tracy.bingham@southderbyshire.gov.uk</a>
Internal Audit Progress Report 2023-24	06 March 2024	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>

***TBC: Reports from External Audit***