

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND RISK COMMITTEE

28 October 2020

County Durham and Darlington
Fire and Rescue Authority



Audit Committees: Practical Guidance for Local Authorities and Police 2018

REPORT OF THE HEAD OF INTERNAL AUDIT

Purpose of the Report

1. The purpose of this report is to advise members of the publication of the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance on the function and operation of audit committees in local authorities in the UK and for police audit committees in England and Wales. The guidance sets out CIPFA's view on audit committees' roles and functions.
2. All Members of the Committee have been provided with a complete copy of the guidelines for reference with selected extracts referenced within this report. The guidance covers:
 - The Core Functions of an Audit Committee
 - Possible Wider Functions of an Audit Committee
 - Independence and Accountability
 - Membership and Effectiveness

CIPFA 2018 Publication

3. The CIPFA Publication – Practical Guidance for Local Authorities and Police 2018 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies. It represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales and replaces the previous 2013 Statement.
4. The publication recognises that Audit Committees are a key component of an authority's governance framework and provide an independent and high-level resource to support governance and strong public financial management.
5. As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where they operate effectively, audit committees can add value by supporting improvements across a range of objectives including:
 - Promoting the principle of good governance and their application to decision making;
 - Raising awareness of the need for sound internal control as well as contributing to the development of an effective control environment;
 - Supporting the establishment of arrangements for the governance and the management of risk;
 - Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;

- Reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions;
- Supporting the development of robust arrangements for ensuring value for money; and
- Helping the authority to implement the values of ethical governance including the effective arrangements for countering the risks of fraud and corruption.

Key Changes

6. The revised and updated 2018 edition takes into account the development of audit committees since the original edition as well as incorporating the legislative changes that have affected the sector since 2013. It includes additional guidance and resources to support those acting as audit committee members in local authorities and those working with and supporting the committee's development. The key changes contained within CIPFA's latest guidance relate to the following areas:
 - Inclusion of an independent member on the Committee;
 - Additional guidance on how the Committee can oversee independence, objectivity and performance of Internal Audit and support the effectiveness of the internal audit process;
 - Additional guidance on how the committee can support independence of the external auditor and monitor the external audit process.
7. CIPFA's latest guidance has also made some additions to the suggested Terms of Reference for Audit Committees. These relate to the role of the Committee in relation to:
 - Reviewing the governance and assurance arrangements for significant partnerships or collaborations;
 - Considering any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit and to approve and periodically review safeguards to limit such impairments;
 - Providing 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;
 - Supporting 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; and
 - Publishing an annual report on the work of the Committee.
8. CIPFA states that a good standard of performance against recommended practice together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness. To this effect, CIPFA has provided a high-level checklist that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. The latest guidance includes some additional good practice questions to the previous CIPFA checklist (2013 edition). This checklist can be used to undertake a regular self-assessment to support the planning of the Audit and Risk Committee's work programmes and training plans.
9. The self-assessment builds upon the key requirements of the previous CIPFA checklist (2013 edition) by adding the following good practice questions:
 - Functions of the Committee – does the Committee's terms of reference explicitly address the area of 'supporting the ethical framework'?
 - Membership and Support – Have independent members appointed to the Committee been recruited in an open and transparent way and approved by the Full Council as appropriate for the organisation?

- Effectiveness of the Committee –
 - Are meetings effective with a good level of discussion and engagement from all members?
 - Does the Committee engage with a wide range of leaders and managers, including discussion of audit findings, risk and action plans with the responsible officers?
 - Does the Committee make recommendations for the improvement of governance, risk and control and are these acted upon?
 - Does the Committee publish an annual report to account for its performance and explain its work?

Recommendations

10. It is recommended that when deliberating over the content of the report, the Audit and Risk Committee:
 - reviews the guidance and identify any areas where further development of current arrangements might be required.
 - agree that the high-level review checklist and self-assessment are completed to help inform further discussion in relation to the Audit and Risk Committee Terms of Reference and with the intention that they be updated to include the relevant changes detailed in the guidance.

Stephen Carter, Interim Chief Internal Auditor and Corporate Fraud Manager, 03000 269665

