

Audit Committees

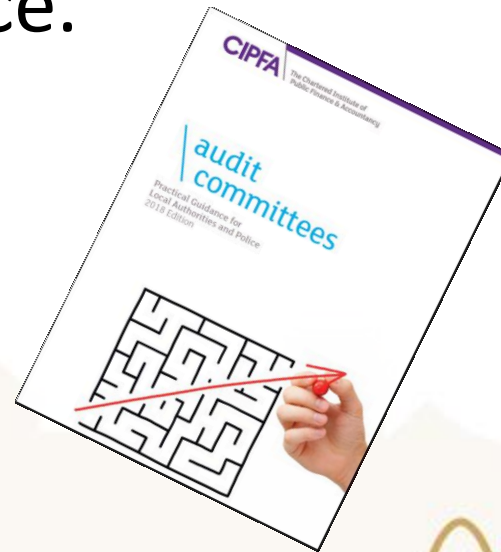
Changes to the Practical Guidance
for Local Authorities and Police
2018 Edition – Update
30th October 2018



Introduction

In April 2018, CIPFA Published its revision to the 2013 guidance:

\Audit Committees Practical Guidance for Local Authorities and Police.



A Reminder



Key Highlights – Position Statement

- In Local Authorities, the Committee should include an independent member where not already required to do so by legislation (Page 3)
- When considering risk management arrangements need to consider partnerships and collaborations. (Page 4)
- In monitoring the effectiveness of the control environment, supporting standards and ethics should be included (Page 4)



Key Highlights – Purpose of Audit Committees

- Under the areas where the Committee can influence and add value:-



- Raise awareness of the need for sound internal controls (page 8).
- Reinforce the objectivity, importance and independence of IA and EA and the effectiveness of the audit functions (page 8)

Key Highlights – Core Functions of an Audit Committee

- The high level core functions of an audit committee remain unchanged.

The Details.....

- Good Governance /AGS – reference to Accounts and Audit Regulations – approval of AGS by 31st July. (Page 12)
- Internal Audit – reference made to the PSIAS including the mission of IA, Code of Ethics, definition of Internal Auditing and the core principles of an effective IA. (Page 13)



Key Highlights – Core Functions of an Audit Committee

- Internal Audit – Confirm organisational independence of IA (Page 14)
- Approve and review safeguards to limit impairments to independence and objectivity (Page 14).
- Receive communications on performance relative to the IA plan and other matters (Page 15).
- Approve any significant additional consulting services (not already included in the Audit Plan) (Page 15).



Key Highlights – Core Functions of an Audit Committee

- Value for Money – where EA has issued a qualified conclusion on vfm, the Committee should ensure there is a robust plan to address the issues. (Page 18)
- Counter Fraud and Corruption – reference to revised counter fraud standards (Page 18).
- External Audit – recognises role the Committee plays in the appointment of EA & Monitoring the EA process(Page 19).
 - Auditor panel/PSAA;
 - Opinion on selection and rotation;
 - Ensure independence is maintained;
 - Receive and consider work/reports;
 - Support quality and effectiveness of the EA process



Key Highlights – Core Functions of an Audit Committee

- **External Audit** – EA will disclose annually to the Committee an assessment of its independence, usually in the audit plan. (Page 20)
- Assurance that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA or the auditor panel.
- Section on potential threats to external independence (page 21)

No.	Potential Threats	No.	Potential Threats
1	Self interest threat	4	Management Threat
2.	Self review threat	5	Advocacy Threat
3	Management threat	6	Familiarity Threat
7.	Intimidation Threat		



Key Highlights – Core Functions of an Audit Committee

- **Financial Reporting** – Reporting deadlines for accounts publication is 31st July (page 22)
- **Partnership Governance & Collaboration Agreements** - reference made to collaboration of emergency services and recognising that ensuring adequacy of governance/risk management is more complicated. (Pages 23 & 24)



Key Highlights – Possible Wider Functions of an Audit Committee

- No changes in relation to the detail contained in this section.



Independence & Accountability

- 85% Councils had audit committees reporting to full Council (p33)
- The number of stand alone committees declined from 58% to 47% (Page 33)
- HIA free unfettered access to CEO and Chair of Audit Committee (p36)
- Committees are most effective when discussing governance, risk, control issues with responsible managers directly (p37)

Accountability



Membership and Effectiveness

- Achieve the right mix of apolitical expertise (Page 39)
- Chair – (i) promoting open discussion, (ii) encourage candid approach from all participants and (iii) be interested in several disciplines (Page 39)
- Use of Independent members – establish effective working relationships and agree protocols for briefings and access to information (page41)
- Maintain register of interests (Page 42)



Common Areas of Difficulty for Audit Committees

- For Local Authorities , the top three difficulties for Audit Committees were found to be:-
 - Limited knowledge and experience of members
 - Committee not seen as a priority by other members
 - Intrusion of political interests (Page 44)



Also - breakdown in the relationship between committee members and the executive, PCC or chief constable or with senior Management (Page 49)



Suggested Terms of Reference

- **Governance, Risk & Control** - To review the governance and assurance arrangements for significant partnerships or collaborations. (Page 60)
- **Internal Audit** - To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments. (Page 60)



Audit Committee Members – Knowledge and Skills

No changes have been made to the Audit Committee members core areas of knowledge or specialist knowledge that adds value to the audit committee or core skills.



Self Assessment of Good Practice

- **Functions of the Committee** - Does Committee's ToR address:
Supporting the ethical framework
- **Membership & 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? (page 74)



Self Assessment of Good Practice

- **Effectiveness of the Committee-**

1. Are meetings effective with a good level of discussion and engagement from all the members?
2. 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?
3. Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?
4. Does the committee publish an annual report to account for its performance and explain its work?

