

REPORT TO: AUDIT COMMITTEE

DATE: 15 SEPTEMBER 2022

REPORT TITLE: CIPFA's UPDATED POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES 2022

DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE

Purpose of Report

- 1 The purpose of this report is to present the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 to the Audit Committee for review and comment.

Recommendation

To review and comment on the new Position Statement and consider if any actions are required as a result of the updates.

Background / Issues for Consideration

- 2 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
 - 2.1 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and 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.
 - 2.2 The 2022 Position Statement sets out the purpose, model, core functions and membership of an audit committee. Key details for each of these areas are set out under each heading below.

2.3 Purpose

The Statement defines the purpose of Audit Committees as follows:

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.

Independent and effective model

2.4 The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It should be 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.

2.5 The Statement notes that audit committees 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

2.6 The Position Statement notes that the core functions of an 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. Specific responsibilities identified include:

- Maintenance of governance, risk and control arrangements.
- Financial and governance reporting
- Establishing appropriate and effective arrangements for audit and assurance

Membership

2.7 The Statement sets out guidance regarding the membership of an audit committee. The members need to be of high calibre in order to provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority. 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.

Engagement and outputs

2.8 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.

2.9 The Updated CIPFA Position Statement is attached as **Appendix 1**.

Consultation

3 None arising from the contents of this report.

Other Options Considered

4 None arising from the contents of this report.

Risk Management/Assessment

5 The Combined Authority must ensure that it has an appropriate governance framework, including an effective audit committee, in place to comply with legislative requirements and good practice. Failure to do this could have potentially significant consequences for the Authority in relation to external assessments, public confidence and risk of legal challenge.

The Audit Committee is an important source of assurance on the arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

A review of current best practice will help the Committee to fulfil its responsibilities and ensure the relevant Terms of Reference remains appropriate.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 The authority's core financial documents are made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 There are no direct financial implications arising from this report.

Advice given by: Richard Ennis, Interim Director of Investment and Corporate Services

Legal Implications:

- 8 The Accounts and Audit (England) Regulations 2015 state that the authorities must ensure that it has a sound system of internal control that:
- i) facilitates the effective exercise of its functions and the achievement of its aims and objectives.
 - ii) ensures that the financial and operational management of the authority is effective; and
 - iii) includes effective arrangements for the management of risk.

The Audit Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Combined Authorities overall governance arrangements.

Advice given by: Stephen Gerrard, Interim Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 There are no direct climate change implications from the proposed external audit work to be undertaken in 2019/20.

Appendices:

Appendix 1: The Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022.

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.service@westofengland-ca.gov.uk