

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 28th January 2019

Subject: Audit Committees: Practical Guidance for Local Authorities and Police 2018

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1 Purpose of this report

- 1.1 The purpose of this report is to advise the Corporate Governance and Audit Committee 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 also sets out CIPFA's view of the role and function of audit committees.
- 1.2 Members are asked to review the guidance and identify any areas where further development of the arrangements operating at Leeds City Council might be required.

2 Background information

- 2.1 The Corporate Governance and Audit Committee has reviewed its arrangements against previous iterations of CIPFA audit committee guidance, with the most recent assessment taking place in 2007. It is therefore timely that a further self-assessment against the 2018 edition is undertaken.
- 2.2 The terms of reference of the committee were approved at the Annual Council meeting in May – these are attached at **Appendix 1**.

2.3 All Members have been provided with a complete copy of the guidance for reference¹ 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

3 Main issues

3.1 Since the last review undertaken by this committee the scope of CIPFA's Position Statement for Local Authority Audit Committees has become more detailed. The current position statement is reproduced at **Appendix 2** along with a 'self-assessment' drafted by officers for the committee's consideration

3.2 There are no significant areas of non-compliance identified in the core functions expected of audit committees or with the identified wider functions; where variances have been identified these are set out in bold text within the Appendix 2 – and further described below:

3.2.1 **The absence of an Independent Person on the Committee.** Officers have interpreted the role of the committee in approving the statement of accounts and any material amendment of the accounts recommended by the auditors as being a function relating to regulating and controlling the Council's finance; as such under S102(3) of the Local Government Act 1972, co-opted members are not permitted on the committee. CIPFA have taken a more flexible view on this feeling that Independent Members could be accommodated but not be able to vote on finance matters.

3.2.2 **The preparation of an Annual Report of the Committee to Council.** This is not something which is currently in place. The Committee's role in approving the Annual Governance Statement does result in the Annual Governance Statement being provided to all Members.

3.3 At **Appendix 3 a Knowledge and Skills Framework** is presented for Members' consideration. Members bring with them a range of knowledge and skills from their working life and elected representative role to the work of the committee. Reports to the Corporate Governance and Audit Committee seek to provide sufficient background knowledge and information to enable Members to fulfil the individual and collective roles on the committee. The Appendix has been drawn from the CIPFA guidance. Members will recall that training is also provided on the Accounts to committee members and that the new External Auditor, Grant Thornton, is to provide training on Audit Committees to Members.

¹ Despite the authority purchasing the guidance, officers have considered it inappropriate to publish the whole of the guidance by way of this committee's agenda pack.

3.4 Members are asked to consider the framework and consider whether, taken as a whole, any gaps exist in the committee's collective knowledge or skills. Members are also asked to consider whether it might be beneficial for group whips to be provided with the Skills Matrix when considering appointments in advance of the Annual meeting.

4 Corporate Considerations

4.1 Consultation and engagement

4.1.1 This report seeks Members' views on the content of recently published guidance from of the Chartered Institute of Public Finance and Accountancy's (CIPFA) on the function and operation of audit committees in local authorities in the UK (and for police audit committees in England and Wales).

4.2 Equality and diversity / cohesion and integration

4.2.1 There are no equality and diversity or cohesion and integration issues arising from this report.

4.3 Council policies and best council plan

4.3.1 There are no specific implications for council policy in relation to this report.

4.4 Resources and value for money

4.4.1 It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

4.5 Legal implications, access to information and call in

4.5.1 This report is not an executive function and is not subject to call in.

4.6 Risk management

4.6.1 The report provides assurance to the Committee that arrangements are in place which meet the expectations of contained in CIPFA guidance.

5 Conclusions

5.1 Following a Self-Assessment exercise the core arrangements expected of local authorities in respect of Audit Committee roles and functions have been found to present at Leeds City Council. That said two areas have been identified for further consideration by the committee, these relate to the whether or not to widen the membership of the committee to include an Independent Member and the need to ensure the breadth of skills and experience of committee members is routinely kept under review.

6 Recommendations

6.1 Members are requested to consider the CIPFA guidance and whether any adjustments to the arrangements currently prevailing are required.

7 Background Documents

- 7.1 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 has been used as a basis for this report.
- 7.2 Whilst extracts of the document have been reproduced with the consent of CIPFA, the 2018 edition is not provided free of charge to authorities and attracts a fee of £250 per document.