

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

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance¹ independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Authorities and police audit committees should adopt a model that establishes the committee as independent and effective.

CIPFA Audit Committee Position Statement	Leeds City Council Position
The committee should:	Officer Commentary
<ul style="list-style-type: none"> ▪ act as the principal non-executive, advisory function supporting those charged with governance 	<ul style="list-style-type: none"> ▪ This is set out in the Committee's terms of reference which are approved by full Council
<ul style="list-style-type: none"> ▪ in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation 	<ul style="list-style-type: none"> ▪ The committee is established by full council. ▪ The committee is not a Scrutiny Committee. ▪ Article 9.2.1 precludes the following from being members of the Corporate Governance and Audit Committee: <ul style="list-style-type: none"> ○ Members of the Executive; ○ Political Group Leaders from the three largest groups; and ○ Whips from the three largest groups. ▪ The committee does not include an independent member this is because it is appointed by the Council under S102(1)(a) LGA 1972 to discharge functions of the Council. As such, the Council fixes the number of members and their terms of office - S102(2) LGA 1972. With one of the functions of the committee being to regulate and control of the Council's finance, under S102(3) as co-opted members are not permitted on this committee the arrangements at Leeds City Council are at variance with the CIPFA position statement.

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The committee should:	Officer Commentary
<ul style="list-style-type: none"> ▪ have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups ▪ be directly accountable to the authority's governing body or the PCC and chief constable. 	<ul style="list-style-type: none"> ▪ In place. The committee regularly makes referrals of this nature and has access to all officers of the council. ▪ The committee is appointed by full council and is accountable to full council for the discharge of the committee's functions.
The core functions of an audit committee are to:	
<ul style="list-style-type: none"> ▪ be satisfied that the authority's assurance 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 ▪ in relation to the authority's internal audit functions: <ul style="list-style-type: none"> ○ - 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 	<ul style="list-style-type: none"> ▪ The committee approves the Annual Governance Statement with that statement being informed by assurance statements received during the year as set out in the committee's work programme. ▪ Function 5 of the Committee's Terms of Reference includes oversight and support of all aspects of Internal Audit's role. ▪ An Internal Audit Update report is provided to each meeting of the Committee.

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The committee should:	Officer Commentary
<ul style="list-style-type: none"> ▪ consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations 	<ul style="list-style-type: none"> ▪ The Committee's work programme includes receipt of an annual assurance report on risk and performance management.
<ul style="list-style-type: none"> ▪ monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption 	<ul style="list-style-type: none"> ▪ A number of Assurance Reports are received by the committee during the year to inform the Annual Governance Statement, these include: <ul style="list-style-type: none"> ○ Treasury Management ○ Financial Management ○ Decision Making ○ Risk Management ○ Performance Management ○ HR Policies and Procedures and officer conduct ○ Complaints and Compliments ○ Information Governance ○ Procurement ▪ The Standards and Conduct Committee has been appointed to provide oversight on Member's conduct and receives an Annual report which is also considered by Full Council.
<ul style="list-style-type: none"> ▪ consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control 	<ul style="list-style-type: none"> ▪ External Audit Reports are routinely presented to the Committee. A protocol is in place (in Part 5 of the Constitution) relating to the Co-ordination of External Audit and Inspection reports. <ul style="list-style-type: none"> ○ This provides for, upon receipt of the final report and agreed action plan the Director of Resources and Housing to arrange for the report to be presented at the next appropriate meeting of the Corporate Governance and Audit Committee, to consider the governance implications of the report. The Committee may choose to refer particular issues to other appropriate committees for further detailed consideration. ○ In relation to reports from inspection agencies the Corporate Governance and Audit Committee may decide to consider the governance and audit aspects of any inspection report, in line with their terms of reference.

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<ul style="list-style-type: none"> ▪ support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process. 	<ul style="list-style-type: none"> ▪ These arrangements are in place with Internal Audit attending all meetings of the committee and External Audit attending where presenting reports.
<ul style="list-style-type: none"> ▪ review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit. 	<ul style="list-style-type: none"> ▪ These arrangements are in place and are reflected in the Committee's work programme.
An audit committee can also support its authority by undertaking a wider role in other areas including:	
<ul style="list-style-type: none"> ▪ considering governance, risk or control matters at the request of other committees or statutory officers 	<ul style="list-style-type: none"> ▪ These arrangements are in place.
<ul style="list-style-type: none"> ▪ working with local standards and ethics committees to support ethical values 	<ul style="list-style-type: none"> ▪ The Standards and Conduct Committee's Annual Report and the assurance report to the committee on Officer conduct are reflected in the Annual Governance Statement
<ul style="list-style-type: none"> ▪ reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017) 	<ul style="list-style-type: none"> ▪ This is a specific assurance report received by the committee.
<ul style="list-style-type: none"> ▪ providing oversight of other public reports, such as the annual report. 	<ul style="list-style-type: none"> ▪ The Annual Governance Statement is approved by the Committee.

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Good audit committees are characterised by:	
<ul style="list-style-type: none"> ▪ a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise 	<ul style="list-style-type: none"> ▪ The committee is appointed by the Council under S102(1)(a) LGA 1972 to discharge functions of the Council. Full Council fixes the number of members and their terms of office – proportionately and in line with S102(2) LGA 1972.
<ul style="list-style-type: none"> ▪ a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives 	<ul style="list-style-type: none"> ▪ This is demonstrated by the active engagement of members at Corporate Governance and Audit Committee meetings.
<ul style="list-style-type: none"> ▪ a strong independently minded chair - displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are: <ul style="list-style-type: none"> - promoting apolitical open discussion - managing meetings to cover all business and encouraging a candid approach from all participants - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime 	<ul style="list-style-type: none"> ▪ These characteristics are demonstrated by the Chair at Corporate Governance and Audit Committee meetings.

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<ul style="list-style-type: none"> ▪ unbiased attitudes - treating auditors, the executive and management fairly ▪ the ability to challenge the executive and senior managers when required. 	<ul style="list-style-type: none"> ▪ This is demonstrated by the active engagement of members at Corporate Governance and Audit Committee meetings.
To discharge its responsibilities effectively the committee should:	
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ The committee has for a number of years operated with a work programme consisting of 4 meetings per year, in 2018-19 the committee is scheduled to meet on 5 occasions. ▪ The receipt of reports is managed in accordance with the Council's Access to Information Procedure Rules
<ul style="list-style-type: none"> ▪ be able to meet privately and separately with the external auditor and with the head of internal audit 	<ul style="list-style-type: none"> ▪ These arrangements are in place
<ul style="list-style-type: none"> ▪ include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required 	<ul style="list-style-type: none"> ▪ The following officers routinely attend meetings of the Committee: <ul style="list-style-type: none"> ○ The Deputy Section 151 Officer ○ The Deputy Monitoring Officer ○ The Head of Internal Audit
<ul style="list-style-type: none"> ▪ have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters 	<ul style="list-style-type: none"> ▪ These arrangements are in place

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The committee should:	Officer Commentary
<ul style="list-style-type: none"> ▪ report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities. 	<ul style="list-style-type: none"> ▪ The committee fulfills the role of the committee charged with Governance. ▪ Assessments of the committee's role and function are undertaken against the CIPFA position statement on Audit Committees. ▪ The Annual Governance Statement is agreed by the Committee on behalf of the authority. However no additional annual report is prepared by the committee on how it has discharged its responsibilities.