

<b>CIPFA’s Position Statement: Audit Committees in Local Authorities and Police<sup>1</sup></b>	<b>LCC CGAC compliance</b>
<p>1. 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.</p>	<p>Annual report of committee provides confirmation for Full Council that committee fulfils this role</p>
<p>2. The purpose of an audit committee is to provide to those charged with governance 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.</p>	<p>Committee has oversight of both internal and external audit and receives regular update reports which provide assurance as to the effectiveness of each.</p>
<p>3. Authorities audit committees should adopt a model that establishes the committee as independent and effective. The committee should:</p> <ul style="list-style-type: none"> <li>• act as the principal non-executive, advisory function supporting those charged with governance</li> <li>• 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</li> <li>• have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups</li> <li>• be directly accountable to the authority’s governing body.</li> </ul>	<p>The committee is appointed by Council to fulfil terms of reference and is accountable to Council. Although complying with requirement for proportionality, the committee strives for political neutrality. A non-voting Independent Member has been appointed and takes an active role. The committee has historically received referrals from Executive Board and has engaged with Scrutiny Boards where appropriate.</p>
<p>4. The core functions of an audit committee are to:</p> <ul style="list-style-type: none"> <li>• 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</li> </ul>	<p>The committee’s work programme provides a broad assurance base for the committee to consider and challenge. The committee will receive information setting out the corporate governance framework and assurance map prior to consideration of the interim annual governance statements.</p>

<sup>1</sup> As incorporated into Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2018 Edition)

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<ul style="list-style-type: none"> <li>• in relation to the authority's internal audit functions: <ul style="list-style-type: none"> <li>○ oversee its independence, objectivity, performance and professionalism</li> <li>○ support the effectiveness of the internal audit process</li> <li>○ promote the effective use of internal audit within the assurance framework</li> </ul> </li> </ul>	<p>The committee</p> <ul style="list-style-type: none"> <li>• receives and reviews the annual internal audit opinion along with receiving regular update reports and approving the annual internal audit plan.</li> <li>• provides robust questioning of matters discussed in the annual report and update reports with further details provided where necessary.</li> <li>• reviewed an External Quality Assessment undertaken by Glasgow City Council providing independent assurances from another relevant body that the service complies with the requirements of the Public Sector Internal Audit Standards.</li> <li>• Corresponded with the Director of Resources to seek CLT support for the CSQ process</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<p>The committee</p> <ul style="list-style-type: none"> <li>• receives and reviews an annual assurance report on corporate risk and resilience arrangements incorporating arrangements in relation to partnership risk; and</li> <li>• Receives and considers bi annual counter fraud update reports.</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<p>The committee has received and reviewed various assurance reports, e.g.:</p> <ul style="list-style-type: none"> <li>• Annual Assurance report on corporate risk management arrangements</li> <li>• Annual procurement assurance report and external audit annual report including findings of the value for money review</li> <li>• Annual assurance report on employment policies and procedures and employee conduct</li> <li>• Annual assurance report on financial management arrangements</li> </ul> <p>NB – The Standards and Conduct Committee discharges functions in relation to the promotion and maintenance of high standards of conduct amongst Members.</p>
<ul style="list-style-type: none"> <li>• consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control</li> </ul>	<p>The committee</p> <ul style="list-style-type: none"> <li>• receives regular reports and verbal updates from the external auditor setting out progress against the external audit plan for the annual accounts. In the current year this has included receipt of the interim ISA 260 report which allowed the Committee to approve the accounts subject to successful completion of the audit.</li> <li>• considers the responses of management to audit recommendations and ensures that appropriate actions are agreed and implemented.</li> </ul>

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	<ul style="list-style-type: none"> <li>Has opportunity to consider any external inspection report raising issues within the committee's remit.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	Both internal and external audit attend each committee meeting with the opportunity to join discussions on reports presented.
<ul style="list-style-type: none"> <li>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.</li> </ul>	The committee reviews and approves the statement of accounts, audited statement of accounts and the annual audit letter.
<p>5. An audit committee can also support its authority by undertaking a wider role in other areas including:</p> <ul style="list-style-type: none"> <li>considering governance, risk or control matters at the request of other committees or statutory officers</li> <li>working with local standards and ethics committees to support ethical values</li> <li>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)</li> <li>providing oversight of other public reports, such as the annual report.</li> </ul>	<p>The committee</p> <ul style="list-style-type: none"> <li>receives the Annual Assurance report on treasury management systems and processes</li> <li>is available to review other areas at the request of other committees.</li> <li>is able to liaise with Standards and Conduct Committee as necessary.</li> </ul>
<p>6. Good audit committees are characterised by:</p> <ul style="list-style-type: none"> <li>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</li> <li>a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives</li> </ul>	<p>The committee is made up of a total of 11 members<sup>2</sup>: 6 Labour members; 3 Conservative members; 1 Liberal Democrat member; and one independent non-voting member to ensure it is balanced and objective.</p> <p>Development programmes are in place to provide support to committee members on specific areas enhancing their knowledge. During the 21/22 municipal year this included:</p> <ul style="list-style-type: none"> <li>an introductory session to new members of the committee on the role and functions of the committee,</li> <li>counter fraud workshops,</li> <li>training from the Chief Financial Officer in preparation for the examination of the accounts.</li> </ul>

<sup>2</sup> In 2021/22 the committee comprised 10 members: 5 Labour; 3 Conservative; 1 Liberal Democrat; and 1 independent non-voting member.

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<ul style="list-style-type: none"> <li>• 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"> <li>○ promoting apolitical open discussion</li> <li>○ managing meetings to cover all business and encouraging a candid approach from all participants</li> <li>○ an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime</li> </ul> </li> <li>• unbiased attitudes – treating auditors, the executive and management fairly</li> <li>• the ability to challenge the executive and senior managers when required.</li> </ul>	<ul style="list-style-type: none"> <li>• External auditor briefings on the Redmond Review, the role of external audit in Local Government and the requirements arising from the Value for Money review.</li> </ul> <p>The annual report of the committee shows how it is supportive of good governance principles and their application towards the achievement of organisational objectives. The Committee chair promotes open discussion by members of the committee and manages meetings while encouraging participation from all members and officers in attendance</p> <p>The Committee provides robust questioning to officers attending meetings and presenting assurance reports including auditors and management while understanding the importance of receiving these reports.</p>
<p>7. To discharge its responsibilities effectively the committee should:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• be able to meet privately and separately with the external auditor and with the head of internal audit</li> <li>• 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</li> <li>• 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</li> <li>• 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.</li> </ul>	<p>The Committee met 7 times during the 21/22 year receiving both annual assurance reports and additional items to provide assurance on specific areas. Where necessary items are considered in private by the Committee in accordance with usual arrangements for consideration of exempt and confidential information.</p> <p>The opportunity to meet with external and internal audit privately is available where necessary.</p> <p>The Chief Finance Officer, Head of Internal Audit, and External Audit representatives are in attendance at all committee meetings together with officers able to advise in relation to</p> <ul style="list-style-type: none"> <li>• Risk and performance</li> <li>• Information governance</li> <li>• Legal compliance</li> </ul> <p>Other officers are requested to attend the committee as and when necessary.</p> <p>The committee produces an annual report, presented to full council and published publicly detailing how the Committee has performed throughout the previous year.</p>