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| Report To: | AUDIT PANEL |
| Date: | 14 March 2023 |
| Reporting Officers: | Stuart Fair – Interim Director of Finance Christine Weston–Interim Head of Risk Management and Audit Services |
| Subject: | CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA) – PRACTICAL GUIDANCE FOR LOCAL AUTHORITY AND POLICE AUDIT COMMITTEES |
| Report Summary: | To advise members of the publication produced by CIPFA outlining their practical guidance for the operation of Audit Committees. |
| Recommendations: | Members are asked to note the contents of the report and to review their arrangements against the updated CIPFA guidance and Position Statement. |
| Links to Corporate Plan: | No direct links but supports the individual operations within the Community Strategy. |
| Policy Implications: | The Audit Panel is a key component of the Authority's governance framework. |
| Financial Implications: (Authorised by the Borough Treasurer) | The Audit Panel has oversight of the authority's accountability statements, including the Annual Governance Statement, and the financial reporting and statutory statement of accounts. |
| Legal Implications: (Authorised by the Borough Solicitor) | <p>The audit committee can support the authority in establishing, maintaining, and improving effective governance, risk management, and internal control arrangements. These arrangements are the enablers that allow the authority to deliver against its objectives and improve its performance. They are essential if the authority is to make best use of all its resources and minimise loss and waste. The audit committee helps the authority to fulfil its responsibilities for accountability to the local community, and meet the expectations of partners, regulators, and other stakeholders.</p> <p>Recommended practice is for audit committees to review and assess themselves annually or to seek an external review. The external auditor will consider the effectiveness of your audit committee when evaluating the authority's governance arrangements. If they have any significant concerns, they will make recommendations for improvement.</p> <p>New guidance issued by CIPFA recommends that local authority and police audit committees include at least two independent members. The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently updated its <u>position statement on audit committees in local authorities and police bodies in England and Wales</u>, replacing the 2018 version. The 2022 statement, which has been endorsed by the Department for Levelling Up, Housing and Communities and the Home Office, sets out the 'purpose, model, core functions and</p> |

membership of the audit committee’.

One notable change compared to the 2018 edition is the removal of suggestions that audit committees undertake a wider role in supporting authorities, such as by reviewing treasury management arrangements or supporting the work of other committees. This addresses concerns raised in Sir Tony Redmond’s 2020 Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting about the broad role of some local authority audit committees distracting them from their core financial oversight role and potentially creating conflicts of interest.

Other new recommendations to strengthen audit committees in the updated position statement include:

- Audit committee members should be trained to fulfil their role.
- Large committees should be avoided.
- The committees should support the maintenance of effective arrangements for financial reporting.

Standards Committee approved the process for appointments and these are underway.

Risk Management:

The Audit Panel considers and monitors the effectiveness of the Authority’s risk management arrangements.

Access to Information:

The background papers can be obtained from the author of the report, Christine Weston, Interim Head of Risk Management and Audit Services by contacting:



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1. BACKGROUND

- 1.1. The Audit Panel is the committee of Tameside Council that undertakes the role of the Audit Committee.
- 1.2. Audit committees provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. This gives greater confidence to all those charged with governance that those arrangements are effective.
- 1.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) expects that the Audit Panel should make their best efforts to adopt the principles laid out in their guidance attached at **Appendices 1 to 5**. This will enable the panel to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

2. CIPFA GUIDANCE AND THE ROLE OF THE AUDIT COMMITTEE

2.1. CIPFA states that the Audit Panel should:

- be independent of executive decision making and the scrutiny functions, and able to provide objective oversight;
- be directly accountable to the governing body of the authority;
- have rights of access to and constructive engagement with other committees/functions (e.g. scrutiny and service committees, corporate risk management boards and other strategic groups);
- have rights to request reports and seek assurances from relevant officers; and
- be of an appropriate size to operate as a core of experienced, trained committee members.

2.2. CIPFA outline the following as specific responsibilities of the Audit Panel:

- Support a comprehensive understanding of governance across the council and among all those charged with governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
- Be satisfied that the authority's accountability 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.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and conformance to professional standards.
 - Support effective arrangements for internal audit.
 - Promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all provider of assurance, audits and inspection, and the organisation, encouraging openness to challenge, review and accountability.

2.3. To discharge its responsibilities effectively, CIPFA recommends the Audit Panel:

- Meet regularly, at least four times a year, and have a clear policy on items to be considered in public and those to be considered in private.
- Be able to meet privately and separately with the external auditor and Head of Internal Audit.
- Include, as regular attendees, the Chief Finance Officer, the Chief Executive, the Head of Internal Audit and the appointed external auditor.
- 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. This report should be available to the public.
- Include at least two co-opted independent members on the Panel

2.4. The influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance. **Two interactive appendices have been provided for the Audit Panel to carry out a self-assessment which may be used to evaluate its impact and identify areas for improvement.**

3. RECOMMENDATIONS

3.1 As set out on the front of the report.