

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **5 September 2014**

By: **Chief Operating Officer**

Title of report: **CIPFA Audit Committee Guidance**

Purpose of report: **To update Members on the latest audit committee guidance for local authorities and to highlight those areas where further action may be required by County Council to ensure full conformance.**

RECOMMENDATION: The Committee is recommended to note the latest guidance from CIPFA and consider whether any changes to current arrangements are required.

1. Financial Appraisal

1.1 There are no direct financial implications from this report.

2. Supporting Information

2.1 CIPFA has recently issued up to date guidance on the function and operation of audit committees in local authorities. The guidance represents good practice, whilst making it clear that the way in which audit committees are organised will vary depending upon the specific political and management arrangements in place in each organisation.

3. Latest Guidance

3.1 '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 financial reporting and governance processes'¹. The core functions of the committee are to:

- Be satisfied that assurance statements, including Annual Governance Statement, reflect the risk environment and demonstrate how governance supports the achievement of the authority's objectives;
- Oversee and support the internal audit function, including independence, performance and effectiveness;
- Consider the effectiveness of risk management arrangements;
- Monitor effectiveness of the control environment, including VFM and managing the risk of fraud;
- Ensure the value of the audit process is promoted, including relationship between internal and external audit;
- Review the financial statements and management response to issues raised by external audit.

3.2 All though no single model of audit committee is prescribed, the guidance states that all should:

- Act as the non-executive advisory function supporting those charged with governance;
- Be independent of both the executive and scrutiny functions;
- Have clear rights of access to other committees/functions;

¹ CIPFA

- Be accountable to the board or equivalent body;
- Meet regularly, at least four times per year;
- Meet privately and separately with the external auditors and head of internal audit;
- Include regular attendees, such as Chief Finance Officer and head of internal audit, and have the right to call other officers as required;
- Report regularly on their work, and at least annually report an assessment of their performance.

4. ESCC Position

4.1 Overall, the County Council's audit committee responsibilities and operation are generally consistent with the latest guidance. There are, however, a small number of areas where our arrangements differ slightly and these have been summarised below:

Best Practice Requirement	ESCC Approach
The audit committee should be independent both the executive and scrutiny functions.	Although no executive powers, the ABVCSSC includes the Business Services, Community Services and Public Health scrutiny functions. (The last CIPFA survey (in 2011) indicated that approximately 19% of audit committees were combined with other functions.)
The audit committee should meet privately and separately with the external auditors and head of internal audit.	All meetings between ABVCSSC and both internal and external auditors take place in the presence of other officers. The ABVCSSC's terms of reference does however, make provision for the committee to meet with the external auditor and head of internal audit 'in the absence of Directors if necessary'.
The audit committee should report regularly on their work, and at least annually report an assessment of their performance.	It has been several years since the ABVCSSC undertook any form of assessment of its performance and does not currently report formerly on its performance.
In terms of overseeing internal audit, the guidance states that this should include approving the internal audit budget and appointment and removal of the head of internal audit.	The ABVCSSC has no involvement with the internal audit budget or head of internal audit appointment / removal process.

5. Next Steps

5.1 The Committee is asked to consider the areas set out in the above table and determine whether any changes to current arrangements are required as a result.

KEVIN FOSTER
Chief Operating Officer

Contact Officers: Russell Banks, Head of Assurance, Tel: 01273 481447

Local Member: All

Background Documents :
None