

West Midlands Audit Committee Chairs Forum

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5 December 2022

The Chartered Institute of
Public Finance & Accountancy

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Agenda:

Key principles of audit committees

- Audit committee purpose and accountability
- Getting the basics right
- Engaging with the leadership team and full council
- Questions

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Purpose and accountability

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Why have an audit committee?

It supports:

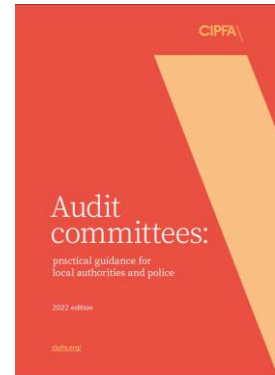
- Awareness of internal control
- Implementation of audit recommendations
- Gives greater emphasis to audit
- Gives greater emphasis to risk
- Objective and fair financial reporting
- Independent, objective review
- Corporate governance expectations

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Position Statement and supporting publication

- New Position Statement on Audit Committees in Local Authorities and Police
 - Issued April 2022 - [download the statement](#)
 - Additional resource: [The audit committee and organisational effectiveness in local authorities](#)
- New supporting publication, October 2022
 - [Details](#)



DLUHC statement

“We will be making Audit Committees, with at least one independent member, a mandatory requirement, once Parliamentary time allows.

We will continue to consult with partners on how this should be implemented. In the intervening period, the government would encourage local bodies to establish their arrangements in line with CIPFA’s guidance, including appointing independent members.”

[Government response to local audit framework: technical consultation, 31 May 2022](#)

Purpose

“Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.”

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Defining accountability

To whom?	Who?	What?	Why?
Full Council	Audit committee	Fulfilment of terms of reference	To ensure the committee is fit for purpose
Leadership team, Full Council	Audit committee	Recommendations on governance, risk and control Outcome of audits	To ensure adequate arrangements are in place
Public (indirectly)	Audit committee in support of, or on behalf of the Council	Stewardship Governance, risk and control arrangements	Public money Decision making for public benefit

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Supporting internal accountabilities

- Follow up of internal audit recommendations
- Review of annual governance statement
- Monitoring of action plans from external audit or inspections
- Oversight of internal audit performance and standards
- Effective implementation of risk mitigations

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Getting the basics right

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What the Position Statement covers

- Purpose of the committee
- Establishing an independent and effective model
- Core functions:
 - Maintenance of governance, risk and control arrangements
 - Financial and governance reporting
 - Appropriate and effective arrangements for audit and assurance
- Audit committee membership
- Engagement and outputs
- Impact

Audit committee v scrutiny committee

Audit Committee

- Independent of any services
- Focus on risk-related issues
- Focus on audit matters
- Challenge on implementation of decisions - arrangements
- Independent
- Apolitical

Scrutiny committees

- Linked to services
- Focus on outcomes and effectiveness
- Consultation with users and the public
- Challenge the basis of decisions
- More political challenge

Independent and effective model

The committee should:

- be directly accountable to the authority's governing body
- in local authorities, be independent of both the executive and the scrutiny functions
- have rights of access to and constructive engagement with other committees/functions
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

Include co-opted independent members:

- in accordance with the appropriate legislation or
- CIPFA recommends including at least two co-opted independent members

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Composition

Small may be more effective

Party representation

External members – CIPFA recommendation

- Brings an extra dimension
- Chair?

Tenure and rotation

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Where the audit committee can have impact

“Where it operates effectively, an audit committee adds value ... by supporting improvement across a range of objectives”

Audit Committees, Practical Guidance for Local Authorities and Police,
CIPFA 2022



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Maintenance of governance, risk and control arrangements (1)

Good governance

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- How is good governance embedded in the organisation?
- Values & behaviours, not just policies

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Maintenance of governance, risk and control arrangements (2)

Internal control

- 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.

Examples include:

- Compliance with CIPFA Financial Management Code
- Counter fraud strategy, fraud risks and evaluation
- Evaluation of approach to value for money

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Maintenance of governance, risk and control arrangements (3)

Risk Management

- 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.
- Risk governance - to what extent should the audit committee act as a risk committee?

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Core functions

Financial and governance reporting

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.

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Arrangements for audit and assurance

Assurance

- Assurance arrangements:
 - Across the organisation
 - For collaborations or arm's length bodies

Internal audit:

- Oversee its independence, objectivity, performance and conformance to professional standards
- Support effective arrangements
- Promote the effective use of internal audit

External audit:

- Consider their opinion, reports and recommendations
- Support effective arrangements, independence & audit quality
- Support effective relationships

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Audit committee time is precious!

What do you use your time on?

- Core functions?
- Other areas?
- What isn't on the agenda, but should be?

How do you use your time?

- Items for information not action?
- Minor weaknesses that management should sort out?
- Backward looking – 'what went wrong?' rather than 'what can we do better?'

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Chair of audit committee

Key roles of the chair:

- Manage the agenda
- Ensure meetings are well run
- Review terms of reference – is the committee on track?
- Review membership, eg training and development needs
- Lead review of effectiveness
- Build and maintain key relationships

What makes a good audit committee chair?

- Meeting skills
- Knowledge & experience
- Interest
- Focus on improvement / output
- Encourages participation
- Intervenes to keep on track
- Objective attitude
- Follow up and representation

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Engaging with the leadership team and full council

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Key relationships for the audit committee



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Ensuring the committee's voice is heard

Building blocks:

- Understanding of the committee's role and purpose across the council
- Building relationships – chair
- Communications
- Something to say –
 - Are you making recommendations?
 - Escalating concerns
 - What is different because of the committee's work?
- Accountability – annual report

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Evaluating the effectiveness of the committee

<input checked="" type="checkbox"/>	Review terms of reference	Against recommended practice What happens in practice?
<input type="checkbox"/>	Assess against recommended practice	See CIPFA improvement tool
<input type="checkbox"/>	Self-assessment of knowledge and skills	See the CIPFA Knowledge and Skills Framework
<input type="checkbox"/>	Self-assessment of impact	See the CIPFA Improvement tool
<input type="checkbox"/>	Obtain feedback	
<input type="checkbox"/>	Develop an action plan	Regular briefings on topics Training
<input type="checkbox"/>	Formal evaluation	

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Accountability

Audit committee annual report

Account to Full Council, but also supports transparency

Compliance with the position statement

Results of effectiveness review

How it has fulfilled the terms of reference & key issues escalated

Summary of development work in the year

Conclusions

- Focus on effectiveness – make a difference
- Top tips:
 - Familiarise yourself with recommended practice
 - Ensure the committee structure works effectively
 - Keep up to date
 - Focus your agendas
 - Conduct a self-assessment and get feedback

Your thoughts and questions

Thank you

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