



Borough of Tamworth

Marmion House,
Lichfield Street, Tamworth,
Staffordshire B79 7BZ.

Enquiries: 01827 709 709
Facsimile: 01827 709 271

AUDIT AND GOVERNANCE COMMITTEE

1 February 2023

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Town Hall, Market Street, Tamworth on Thursday, 9th February, 2023 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'AOS', followed by a long horizontal line extending to the right.

CHIEF EXECUTIVE

A G E N D A

NON CONFIDENTIAL

- 1 Apologies for Absence**
- 2 Appointment of Vice-Chair**
- 3 Minutes of the Previous Meeting (Pages 5 - 8)**
- 4 Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

- 5 Risk Management Quarterly Update Qt3 2022/23** (Pages 9 - 26)
(Report of the Assistant Director, Finance)
- 6 FHSF Quarterly Update** (Pages 27 - 42)
(Report of the Assistant Director, Growth & Regeneration)
- 7 Quarterly Internal Audit Progress Report - Quarter 3** (Pages 43 - 66)
(Report of the Audit Manager)
- 8 Audit Committee Effectiveness** (Pages 67 - 170)
(Report of the Audit Manager)
- 9 Code of Conduct Review** (Pages 171 - 174)
(Report of the Monitoring Officer)
- 10 Audit and Governance Committee Timetable** (Pages 175 - 180)
(Discussion Item)

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found [here](#) for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat

FAQs

For further information about the Council's Committee arrangements please see the FAQ page [here](#)

To Councillors: P Turner, D Cook, A Cooper, S Daniels, J Jones and R Kingstone

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MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 15th NOVEMBER 2022

PRESENT: Councillor P Turner (Chair), Councillors R Ford (Vice-Chair),
D Cook and A Cooper

Officers Stefan Garner (Executive Director Finance), Joanne Goodfellow (Assistant Director Finance), Nicola Hesketh (Monitoring Officer) and Jo Hutchison (Senior Scrutiny and Democratic Services Officer)

Guests Laurelin Griffiths (Grant Thornton) and William Guest (Grant Thornton)

44 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Kingstone and S Daniels.

45 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 27 October 2022 were approved as a correct record.

(Moved by Councillor P Turner and seconded by Councillor A Cooper)

46 DECLARATIONS OF INTEREST

There were no declarations of Interest.

47 AUDIT FINDINGS REPORT AND MANAGEMENT REPRESENTATION LETTER

The Audit Findings Report and Management Representation Letter were presented by Ms Laurelin Griffiths from the External Auditors.

It was reported that the two main findings were (i) on the valuation of the Council's dwellings, which had resulted in one adjustment and (ii) on the valuation of the pension liability which was being worked through and expected to be relatively minor. The outstanding items were highlighted as set out in the Audit

Findings Report. The external auditors reported that they expected to be in a position to sign well before the statutory deadline of the 30 November 2022.

The Committee thanked the Officers for their work.

Following questions from Committee the External Auditors were requested to clarify the terminology used (at page 23 of the Report) regarding the updating of members on COVID spend.

RESOLVED that the Committee approved the Audit Findings Report, subject to the terminology being clarified regarding updating members on COVID spend, and approved the Management Representation Letter.

(Moved by Councillor P Turner and seconded by Councillor D Cook)

48 ANNUAL STATEMENT OF ACCOUNTS & REPORT 2021/22

The Executive Director, Finance presented the Report to approve the Statement of Accounts for the financial year ended 31 March 2022 following completion of the external audit.

RESOLVED that members:

1. approved the Annual Statement of Accounts 2021/22;
2. delegated authority to the Chair of the Audit and Governance Committee to approve any changes and re-sign the accounts, if necessary, once the audit was concluded by the external auditors.

(Moved by Councillor P Turner and seconded by Councillor A Cooper)

Councillor D Cook voted against the recommendations and requested that this be recorded in the minutes.

49 CODE OF CONDUCT REVIEW

The Monitoring Officer presented the Code of Conduct Review Report which updated members on new Local Government Association Model (LGA) Code of Conduct in response the recommendations made by the Office for Standards in Public Life so the Committee can consider whether to adopt it in full or in part, or to retain the Council's current Code of Conduct for Councillors ("Code of Conduct").

Members of the Committee requested that this item be deferred to a future meeting as certain links in the Report did not work.

50 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the Timetable.

51 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That Members of the press and public be excluded from the meeting during consideration of the following item on the grounds that the business involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

(Moved by Councillor D Cook and seconded by Councillor R Ford)

52 UPDATE FROM THE SUB-COMMITTEE MEETING

The Chair updated the Committee on the discussions and proposals from the Audit & Governance Sub-Committee meeting held on 3 November 2022 to include on this Committee's agenda the consideration of the Future High Street Fund (FHSF) Risk Register and to discontinue with the meetings of that sub-committee.

The Chair reported that as the FHSF project moved from concept to construction phase it would be appropriate for the monitoring of the project risks to be undertaken by the full Committee and the proposal would be to bring a Risk Report to the 9 February 2023 meeting.

RESOLVED that this Committee monitor the FHSF Risks and the future meetings of the Audit & Governance Sub-Committee be cancelled.

(Moved by Councillor P Turner and seconded by Councillor R Ford)

Chair

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AUDIT AND GOVERNANCE COMMITTEE

Thursday 9th February 2023

REPORT OF THE ASSISTANT DIRECTOR FINANCE

RISK MANAGEMENT QUARTERLY UPDATE

Purpose

To report on the Risk Management process and progress for Quarter 3 of the 2022/23 financial year.

Recommendations

- **That the Committee endorses the Corporate Risk Register.**

Executive Summary

One of the functions of the Audit & Governance Committee is to monitor the effectiveness of the Authority's Strategic risk management arrangements. This report includes the actions taken to manage those risks and raises issues of concern that may impact the Authority. Corporate risks are identified, managed, and monitored by the Corporate Management Team (CMT) on a quarterly basis.

A copy of the current Corporate Risk Register is attached, as **Appendix 1**. The control measures contained have been developed to reflect the actions in the 3-year corporate plan. The revised Risk control measures will ensure the delivery of the strategic objectives, as detailed in the 2022-25 Corporate Plan, and minimise the risk of strategic drift. The corporate risk register has been updated by CMT and several notes and consequences have been revised and some consequences previously under "Modernisation and Commercial Agenda 2022" have been moved to sit under a more relevant corporate risk heading "Economic Growth and Sustainability 2022".

There has been a positive change to the risk profile since the quarter 2 report was presented as summarised in **Appendix 2**. Corporate Risk Heading 2 "Finance/Financial Stability 2022" current risk matrix score has reduced to 6 and is aligned to the agreed risk target score. Business rates reset, or a fair funding review has been ruled out meaning that the funding distribution will stay stable, and the Council will be able to retain its business rate growth for 2023/24 and 2024/25, however uncertainty continues and potentially the Council still faces losing this growth from 2025/26. The draft budgets for General Fund and Housing Revenue Account now show that over the 3-year period to 2025/26 balances will remain above the minimum approved level, compared to the previous forecast.

The operational risk champions group have met to discuss cross service risks and will report items of significance that could affect the strategic risks. The recent meeting of the group restated the issues previously reported relating to increased costs and supply shortages. As is the case with many organisations there also

continues to be pressures on the retention and recruitment of staff, although this varies between skill sets. These issues continue to be monitored, and mitigating measures adopted where possible.

The heightened risk of cyber-attacks remains due in part to the continuing conflict in Ukraine. The Technology and Information team continue to take steps to mitigate our exposure to these and any other Cyber threats.

Other issues raised were the threat of further strikes in the public sector including the Fire Service and Teachers, and potential power cuts all of which could have an impact on our service delivery. There is limited information on this at this time, but discussions are being held within the relevant teams and with the CCU to ensure we identify areas of concern and establish priorities should this become a reality.

It has been agreed that the Risk Champion Group membership will be strengthened, and all Head of Services will be invited and expected to attend, training will also be arranged with the support of Zurich for all heads of serves and risk owners. This will support Tamworth Borough Council's strategy for fully embedding effective risk management.

Options Considered

None.

Resource Implications

None.

Legal / Risk Implications

There are no direct legal implications from this report but failure to manage strategic risks could lead to issues in delivering strategic priorities.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Emma Dyer, Operations Accountant, ext. 239

LIST OF BACKGROUND PAPERS

None

APPENDICES


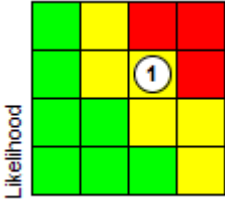

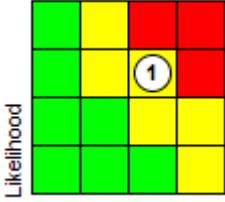
Appendix 1 Corporate Risk Register Qtr. 3

Appendix 2 Corporate Risk Profile summary

Corporate Risks Summary 2022

Generated on: 23 January 2023

Corporate Risk Heading	Status	Status	Current Risk Matrix	Executive Leadership Team
Finance/Financial stability 2022		Warning		Stefan Garner
Modernisation and commercial agenda 2022		Warning		Anica Goodwin
Governance 2022		Warning		Anica Goodwin
Community Focus 2022		Warning		Rob Barnes

Corporate Risk Heading	Status	Status	Current Risk Matrix	Executive Leadership Team
Economic Growth and Sustainability 2022		Warning		Stefan Garner
Organisational Resilience 2022		Warning		Rob Barnes

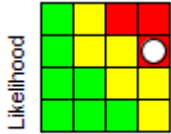
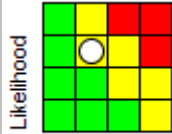
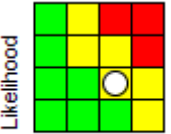
1. Finance/Financial Viability 2022




Generated on: 23 January 2023

Corporate Risk Heading	Finance/Financial stability 2022
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Corporate Risk	To ensure that the Council is financially sustainable as an organisation
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Page 13

Original Matrix		Current Risk Matrix		Target Risk Matrix	
Severity	4	Severity	2	Severity	3
Likelihood	3	Likelihood	3	Likelihood	2
Risk Score	12	Risk Score	6	Risk Score	6
		Date Reviewed	09-Jan-2023	Target Date	
Causes	<ul style="list-style-type: none"> * Austerity cuts/Major variances to the level of grant/subsidy * The uncertainty and financial disruption from External economic influences - mainly on income levels and current cost / inflationary pressures (and potential contractual cost increases) * Poor Procurement practices and weak or ineffective Contract Management meaning VFM not maximised and TBC exposed to unnecessary liabilities. 		Consequences	<ul style="list-style-type: none"> * Inability to plan long term due to uncertainty over future Local Government funding. The planned funding reforms, Fair Funding Review, business rates reset and the revised business rates retention scheme has been deferred again. The LGFS published in December 2022 outlined funding for 2023/24 with indications for 2024/25. While this means the Council will be able to retain its business rate growth for 2023/24 and 2024/25, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2025/26. * Unplanned cost reductions / savings requirements * Financial issues leading to the Authority being taken over by Government appointed officers 	

Risk Control Measure	Risk Control Measure Due Date	Risk Control Measure Status	Risk Control Measure Note	Assistant Director
Monthly Budget Monitoring	31-Mar-2023		Monthly Financial Healthcheck reports to CMT and quarterly to Cabinet	Joanne Goodfellow
Recovery and Reset Programme	31-Mar-2023			Tina Mustafa
Robust monitoring process for MTFs in place and Quarterly Healthcheck update to Members	31-Mar-2023			Joanne Goodfellow

Latest Note	<p>The planned funding reforms, Fair Funding Review, business rates reset and the revised business rates retention scheme has been deferred again. The LGFS published in December 2022 outlined funding for 2023/24 with indications for 2024/25.</p> <p>This settlement represents a 'holding position' until the next Parliament, aiming at stability. The ruling out of a business rates reset, or a fair funding review, means that the funding distribution will stay fairly stable (with the exception of Extended Provider Responsibility funding). But this means that the big questions about the future of the funding system remain unaddressed one way or another.</p> <p>While this means the Council will be able to retain its business rate growth for 2023/24 and 2024/25, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2025/26.</p>
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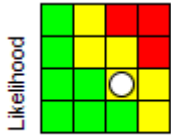
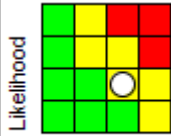
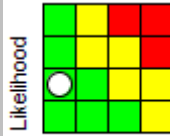
Corporate Priority affected	<p>Priority2: The Economy</p> <p>Priority4: Living in Tamworth</p> <p>Priority5: Town Centre</p>
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2. Modernisation and Commercialisation Agenda 2022

Generated on: 23 January 2023

Corporate Risk Heading	Modernisation and commercial agenda 2022
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Corporate Risk	Failure to Develop and implement Continuous Service improvement and develop employees to perform the right work
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Original Matrix		Current Risk Matrix		Target Risk Matrix	
Severity	3	Severity	3	Severity	1
Likelihood	2	Likelihood	2	Likelihood	2
Risk Score	6	Risk Score	6	Risk Score	2
		Date Reviewed	16-Jan-2023	Target Date	

Causes	<ul style="list-style-type: none"> * Slow or no progress on commercial investment strategy * Underutilisation of Assets * The uncertainty and financial disruption from External Economic influences and current cost / inflationary pressures (and potential contractual cost increases. * Failure to have the organisational structure and a skilled and motivated workforce * Changes in Job market * Ineffective project management and governance * Ineffective performance management * Inadequate business continuity plans 	Consequences	<ul style="list-style-type: none"> * Unable to deliver organisational strategies * Increased turnover/absenteeism * Unable to recruit key/essential skills * Failure to deliver project outcomes * Failure to deliver corporate plan * Government intervention * Service failure leading to ombudsman intervention and increased compensation claims * Increased customer dissatisfaction * Unrealised benefits * Decreased staff engagement and satisfaction resulting in poor performance.
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Risk Control Measure	Risk Control Measure Due Date	Risk Control Measure Status	Risk Control Measure Note	Assistant Director
Delivery of People and Organisational Strategy	31-Mar-2023			Zoe Wolicki
Delivery of Planned Commercialisation Strategy	31-Mar-2023		Draft commercialisation strategy reviewed by CMT 2021/22. Progress in areas such as procurement training for staff which has commenced. 2023/24 MTFS in progress and review of all fees and charges to feed into budgets has commenced.	Joanne Goodfellow
Develop Project management skills for key staff	31-Mar-2023			Zoe Wolicki
Management of Assets - deliver Corporate Capital Strategy and Asset Management Strategy actions	31-Mar-2023			Paul Weston

Latest Note	<p>Training continues to be delivered.</p> <p>HR policies and procedures continue to be updated</p>
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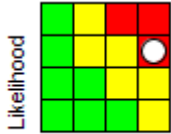
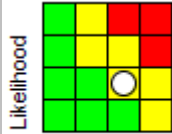
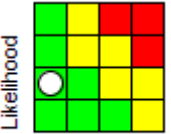
Corporate Priority affected	<p>Priority2: The Economy</p> <p>Priority: Organisation</p> <p>Priority5: Town Centre</p>
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3. Governance 2022

Generated on: 23 January 2023

Corporate Risk Heading	Governance 2022
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Corporate Risk	To ensure the Council is fully compliant in all legislative requirements
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Original Matrix		Current Risk Matrix		Target Risk Matrix	
Severity	4	Severity	3	Severity	1
Likelihood	3	Likelihood	2	Likelihood	2
Risk Score	12	Risk Score	6	Risk Score	2
Date Reviewed			12-Dec-2022	Target Date	

Causes	<ul style="list-style-type: none"> * Failure of democratic process * Failure to understand or respond adequately to new or changing legislation or regulation * Cyber Attack due to lack of preparedness * No horizon scanning of legislative changes * Data Protection principles not adhered to * Out of date policies and procedures 	Consequences	<ul style="list-style-type: none"> * Prosecution of individuals * Loss of reputation * Adverse impact on Tamworth residents * Authority taken over by Government appointed officers * Increase in costs, Legal and settlement * Potential harm to vulnerable persons, employees and commercial relationships * Legal action * Financial penalties * Reputational damage
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Risk Control Measure	Risk Control Measure Due Date	Risk Control Measure Status	Risk Control Measure Note	Assistant Director
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Audit and Scrutiny Committees	31-Mar-2023			Joanne Goodfellow
Cyber Security	31-Mar-2023			Zoe Wolicki
Data Protection	31-Mar-2023			Zoe Wolicki
Policies and Procedures	31-Mar-2023			Zoe Wolicki

Latest Note

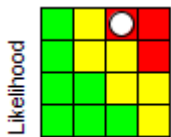
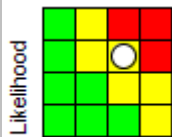

Corporate Priority affected Priority2: The Economy
Priority: Organisation

4. Community Focus 2022


Generated on: 23 January 2023

Corporate Risk Heading	Community Focus 2022
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Corporate Risk	Safety, health and wellbeing of the citizens of the borough
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Original Matrix		Current Risk Matrix		Target Risk Matrix	
Severity	3	Severity	3	Severity	2
Likelihood	4	Likelihood	3	Likelihood	2
Risk Score	12	Risk Score	9	Risk Score	4
Date Reviewed			18-Jan-2023	Target Date	

Causes	<ul style="list-style-type: none"> * Lack of Community cohesion and engagement * Children & Adults at Risk of Abuse & Neglect * Modern Slavery * Lack of Affordable homes * Council working in isolation 	Consequences	<ul style="list-style-type: none"> * Increase in crime and disorder * Increased tensions in the community * Death or serious injury * Poor and overcrowded housing * Increased demand for social housing * Increase of liability claims * Reputational damage
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Risk Control Measure	Risk Control Measure Due Date	Risk Control Measure Status	Risk Control Measure Note	Assistant Director
1a - Education with regard to litter and fly-tipping	31-Mar-2023		Initial meeting of an officer group took place on 4th January 2023 with a view to commencing a	Joanne Sands

			task/finish group, including submission of bid for Fly tipping project. Volunteer litter picker groups to be invited to attend	
1D - Working with partners to protect people and open spaces	31-Mar-2023			Sarah McGrandle; SM Temp Profile
2C - Local plan to ensure affordable housing and infrastructure	31-Mar-2023			Anna Miller

Latest Note	No change
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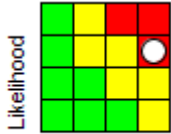
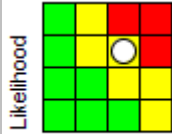
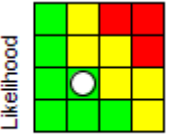
Corporate Priority affected	Priority1: The Environment Priority4: Living in Tamworth Priority5: Town Centre
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5. Economic Growth and Sustainability 2022

Generated on: 23 January 2023

Corporate Risk Heading	Economic Growth and Sustainability 2022
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Corporate Risk	Lack of economic growth and sustainability in the Borough at the levels required
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Original Matrix		Current Risk Matrix		Target Risk Matrix	
Severity	4	Severity	3	Severity	2
Likelihood	3	Likelihood	3	Likelihood	2
Risk Score	12	Risk Score	9	Risk Score	4
		Date Reviewed	13-Jan-2023	Target Date	
Causes	<ul style="list-style-type: none"> * Lack of investment in the Borough * General downturn in the economy due to factors beyond our control * Failure to recognise economic changes 		Consequences	<ul style="list-style-type: none"> * Economic prosperity declines * Deprivation * Reduced Business Rates income * Tamworth not seen as a positive place to live or invest in * Lack of economic and commercial growth 	

Risk Control Measure	Risk Control Measure Due Date	Risk Control Measure Status	Risk Control Measure Note	Assistant Director
2A - Development of business initiatives to promote start up and growth	31-Mar-2023			Anna Miller
3A - Local plan to improve infrastructure , evening economy and transport links	31-Mar-2023			Anna Miller

Latest Note

The project for the town centre regeneration financed by the Future High street fund and being undertaken in conjunction with the Tamworth College represents a major contribution to the town centre programme and therefore a high profile risk area

Corporate Priority affected

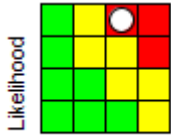
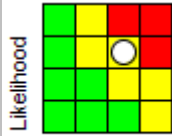
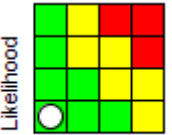
- Priority2: The Economy
- Priority1: The Environment
- Priority3: Infrastructure
- Priority4: Living in Tamworth
- Priority5: Town Centre

6. Organisational Resilience 2022



Generated on: 23 January 2023

Corporate Risk Heading	Organisational Resilience 2022
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Corporate Risk	Failure to provide services or maintain the continued wellbeing and operations within the Borough
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Original Matrix		Current Risk Matrix		Target Risk Matrix	
Severity	3	Severity	3	Severity	1
Likelihood	4	Likelihood	3	Likelihood	1
Risk Score	12	Risk Score	9	Risk Score	1
		Date Reviewed	18-Jan-2023	Target Date	

Causes	<ul style="list-style-type: none"> * Significant event outside of our control e.g. major disaster, pandemic etc. * Staff not aware of action to be taken in the event of an emergency/disaster * Lack of sufficient agile operational options * Global warming/climate change 	Consequences	<ul style="list-style-type: none"> * Services not delivered * Life and property put in harms way * Reduced 'economic attractiveness' * Loss of reputation * Extreme weather conditions/impact on business's & communities
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Risk Control Measure	Risk Control Measure Due Date	Risk Control Measure Status	Risk Control Measure Note	Assistant Director
1B - Development of infrastructure for acting on Climate Change	31-Mar-2023			Anna Miller
Business Continuity Planning	31-Mar-2023			Paul Weston

Emergency Planning	31-Mar-2023		Tina Mustafa
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Latest Note	No change
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Corporate Priority affected	Priority2: The Economy Priority4: Living in Tamworth Priority: Organisation
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Key to Corporate Risk Headings

- R1 Finance/Financial stability 2022
- R2 Modernisation and commercial agenda 2022
- R3 Governance 2022
- R4 Community Focus 2022
- R5 Economic Growth and Sustainability 2022
- R6 Organisational Resilience 2022

Quarter 1 summary

		R1 R4 R5 R6	
		R2 R3	

Risk profile

High risk	0%
Medium risk	67%
Medium/Low Risk	33%
Low Risk	0%

Quarter 2 summary

		R1 R4 R5 R6	
		R2 R3	

Risk profile

High risk	0%
Medium risk	67%
Medium/Low Risk	33%
Low Risk	0%

Quarter 3 summary

	R1	R4 R5 R6	
		R2 R3	

Risk profile

High risk	0%
Medium risk	50%
Medium/Low Risk	50%
Low Risk	0%

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Thursday 09th February 2022**Report of the Assistant Director - Growth & Regeneration****Exempt Information**

N/A

Purpose

To update the committee on FHSF Risks

Recommendations

It is recommended that:

1. The committee endorse the report
2. The committee endorse the risk register

Executive Summary

For a detailed update on the Future High Streets Programme, please refer to the committee report presented to Infrastructure, Safety and Growth Committee on the 18th January 2023.

Appendices 1-6 provides the risk registers which are split into each project site , these registers are produced by the multi-disciplinary consultant and are reviewed with the TBC project team. This register focuses on risks that may materialise as part of the physical works to the sites during construction and/or demolition. Costs impact for remedying of each risk has been estimated by the consultant and added alongside the risk description. In addition to this risk register, there are three over arching Programme risks that are reported to programme board monthly.

The top three risks reported to Programme Board are:

- 1) Securing timely completion of 3rd party agreements and building acquisitions.**
- 2) Increase in costs for refurbishment works to 26-27a Market Street properties .**
- 3) Price increases/scope gaps increase budget deficit. Understanding costs and FHSF outputs is current focus.**

The legal agreement with Peer Group for the acquisition of the Middle Entry units is complete, with all units now vacant. In terms of outstanding agreements, the TBC project team are focused on finalising Nationwide's transfer into the former Peel Café and the land transfer for the SSC college.

The second risk refers to the scope of works required to bring 26-27a Market Street back into use for new tenants. Since the last committee meeting, propping up works have been undertaken to secure the building to make it safe for surveys and works to continue. Following the result of the timber report, TBC have commissioned an experienced specialist heritage structural consultant to review the report and make recommendations on the course of action required to bring the building back into use. They conducted a site visit in early September and submitted their report in October. Their initial assessment was positive and

the results were discussed with the conservation officer before progressing with a design solution and proposed schedule of works. Whilst there are still some relative unknowns, their initial assessment seems promising and suggests that timbers are salvageable and most can be treated or replaced where required. To mitigate the risk of further damage, their recommendation is to minimise effects of damp and exposure to the elements.

The final top risk addresses the issue that TBC may not have enough budget to deliver the full scope of works agreed for the FHSF programme. Increases in the price of materials is a factor but also the impact of inflation to the original cost forecast. The lead contractor has issued their stage 3 cost plan based on current detailed designs and have appraised the risk allocation funding against the risk register. Currently the cost plan reflects a 15% risk allowance and a 7% increase due to inflation, the Market Street project has a 25% risk allowance. Resultantly, the current programme is forecast as being overbudget but it is unlikely that all of the factored 15% risk will be need to be utilised. TBC have now appointed Speller Metcalfe to deliver the Peel Café, Enterprise Centre and Flex. Following on from their appointment, they are pricing the individual packages of work, which will provide an accurate assessment of costs for these sites, to inform the budgetary position.

The risk register continues to be reviewed on a monthly basis internally within the FHSF project team and with the McBains multi disciplinary team. As we move towards delivery of the project there will be a number of risks downgraded as the enabling, facilitation and design stages complete. When the main contractor is in contract further work on risk will need to undertaken and they will produce new risk registers for the sites that they will manage.

Options Considered

N/A

Resource Implications

N/A

Legal/Risk Implications Background

N/A

Equalities Implications

N/A

Environment and Sustainability Implications (including climate change)

N/A

Background Information

N/A

Report Author

Anna Miller - Assistant Director, Growth and Regeneration
Alice Poulton – Future High Streets Fund Project Officer

List of Background Papers

Please refer to FHSF Update in the Infrastructure, Safety and Growth Committee report dated 18th January 2023.

Appendices

Appendices 1-6 - Risk Register(s)

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No	Risk Description & Potential Impact	Date Added / Updated	Impact	Likelihood	Risk Severity	Mitigation - Risk Control	Actions to Date / Planned Actions	Status	Maximum Cost	Risk Adjusted Cost
CASTLE BRIDGE AND CASTLE APPROACH										
1	Risk: Feasibility design risk of working around existing Utilities, with the risk that Western Power Distribution will not accept proposals, and insist on a diversionary plan. Impact: Cost and programme	26-Jan-23	4	3	12	Engage with a bridge fabricator early in the programme, and select a fabricator with experience of working around services. Engage with Western Power Distribution at every stage and agree proposals	Several bridge fabricators have been approached although it is now intended to have the Contractor Partner undertake this work - discussions underway Initial discussions have taken place with WPD and they understand that diversion is not an option.	OPEN	£ 150,000.00	£ 72,000.00
2	Risk: Strong objections from Historic England may delay the programme or force a re-design Impact: Cost and Programme	26-Jan-23	5	2	10	Consider a formal consultation with Historic England once bridge fabricator's proposals are advanced to a suitable stage.	Appoint / pay fabricator to design the bridge to a suitable level of information, and commence consultation with HE.	OPEN	£ 50,000.00	£ 20,000.00
3	Risk: Planning consent is not granted (including the Castle approach / hard landscape.) Impact: Cost for redesign & resubmission + programme impact	26-Jan-23	3	2	6	Formal planning application is to take place January 23	Nodes Landscape proposals have been discussed with the Planning Team and feedback absorbed	OPEN	£ 25,000.00	£ 6,000.00
4	Risk: Potential for a seasonal embargo on Utilities work to impact the programme, and sequence of work. Impact: Programme	26-Jan-23	4	3	12	Consider dividing the works on site into phases such that the Utilities related works are done in advance of an embargo. Discuss this with Western Power Distribution and / or Staffs County Highways	Initial programme has flagged the potential for an embargo and works are shown as pre-Christmas and post-New Year. Clarify potential embargo with Western Power and Staffs County Highways Network Manager	OPEN	£ 10,000.00	£ 4,800.00
5	Risk: Any delay to the demolition of the Nationwide Building Society structure, in connection with the Market St properties project phase. Impact: Programme	26-Jan-23	4	2	8	Demolition of the Nationwide building is best undertaken by the Contractor working on Market St properties to ensure that stability of the Market St shops gable is maintained. The Contractor for the Market St properties is to be selected taking into account the programme management & sequencing of the Nationwide site demolition.	Tender documents for Market Street properties to call for early demolition of the Nationwide building.	OPEN	£ 25,000.00	£ 8,000.00
6	Risk: Design and construction coordination - Risk that appointed contractors require a longer timescale to produce RIBA Stage 4 design including the builders & civil works required to support the new bridge Impact: Programme	26-Jan-23	3	4	12	A single main Contractor with a Civil Engineering bias should be appointed with the bridge as a sub-contractor element.	Consider value of the project and consider any advantages which could be gained from direct procurement and early dialogue with a Civil Engineering Contractor	OPEN	£ 10,000.00	£ 4,800.00

£ 270,000.00 £ 115,600.00

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No	Risk Description & Potential Impact	Date Added / Updated	Impact	Likelihood	Risk Severity	Mitigation - Risk Control	Actions to Date / Planned Actions	Status	Maximum Cost	Risk Adjusted Cost
MARKET STREET PROPERTIES										
1	Risk: Party Wall Etc Act, potential for party wall disputes Impact: Programme	26-Jan-23	4	3	12	Party Wall implications have been identified. Tamworth BC could open up dialogue with adjacent Land owners in advance of the formal notice to smooth the process. Notices to be served by surveyor in good time.	Initial briefing and consultation with Party Wall Surveyors has taken place. Once scope of restoration work has been identified the scope and frequency of notices can be developed.	OPEN	£ 10,000.00	£ 4,800.00
2	Risk: Inaccuracy of measured survey information. Impact: Potential for significant scheme design impacts (design and programme)	26-Jan-23	4	3	12	Client-side Architect to undertake spot checks of information. Further surveys to be undertaken if considered necessary.	Client-side Architect to undertake spot checks of information. Further surveys to be undertaken if considered necessary.	OPEN	£ 100,000.00	£ 48,000.00
3	Risk: Unknown condition of existing structure and building fabric where hidden by internal finishes. Impact: Cost and programme	26-Jan-23	4	4	16	Timber surveys and some opening up work undertaken to date.	Further inspections to be undertaken and agreed with Historic England and Conservation Officer	OPEN	£ 100,000.00	£ 64,000.00
4	Risk: Delays in identifying the scope of replacement which might be possible bearing in mind the extent of neglect. Impact: Delay in finalisation of scheme and decisions on extent of replacement likely to be permitted for these listed buildings. (Time and Cost Risks)	26-Jan-23	4	3	12	Ongoing programme of opening up works, including making safe with temporary support.	Heritage Structural Engineering report has been commissioned and has informed the process	OPEN	£ 250,000.00	£ 120,000.00
5	Risk: Precautions required for works undertaken within the buffer zone of the castle wall (Scheduled Ancient monument) Impact: Cost and Programme	26-Jan-23	4	3	12	Input from heritage consultant and communication with historic England and Conservation Officer,	To review Heritage Engineers report and to take forward discussions with Historic England to agree on limitations / constraints.	OPEN	£ 10,000.00	£ 4,800.00
6	Risk: Possible poor condition of existing underground drainage. Impact: Cost and programme	26-Jan-23	4	4	16	CCTV survey required once vegetation can be cleared	Work to be instructed following review of Heritage Engineers Report with recommendations.	OPEN	£ 10,000.00	£ 6,400.00
7	Risk: Deleterious materials could be uncovered during the works. Impact: Cost and programme	26-Jan-23	3	3	9	The demolition contractor will report findings	R&D Asbestos surveys already undertaken and report was provided with Tender information.	OPEN	Inc in Cost Plan	£ -
8	Risk: Full condition of envelope remains unknown (where full inspection not possible). Impact: Cost and programme	26-Jan-23	4	4	16	Contractor to undertake detailed review once work commenced.	Inspections have been undertaken and assumptions made as far as is reasonably practicable.	OPEN	£ 25,000.00	£ 16,000.00
9	Risk: Potential for insufficient Utility Infrastructure capacity to support the project proposals. Impact: Cost and programme	26-Jan-23	4	1	4	Early engagement with local utility suppliers.	Detailed estimates for new supplies have been received	OPEN	£ 90,000.00	£ 14,400.00
10	Risk: Risk that appointed contractors require a longer timescale to produce RIBA Stage 4 design. Impact: Programme	26-Jan-23	3	4	12	Arrange an early stage RFI session with contractor	Assuming an 8-week tender period was allowed to reflect single-stage design & build procurement.	OPEN	£ 25,000.00	£ 12,000.00
									£ 620,000.00	£ 290,400.00

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No	Risk Description & Potential Impact	Date Added / Updated	Impact	Likelihood	Risk Severity	Mitigation - Risk Control	Actions to Date / Planned Actions	Status	Maximum Cost	Risk Adjusted Cost
Middle Entry and Flexible Market										
1	Risk: Inaccuracy of measured survey information. Impact: Potential for significant scheme design impacts (design and programme)	26-Jan-23	3	3	9	Client-side Architect undertook spot checks of information. Further surveys have been undertaken.	Re-survey of elements to be instructed	OPEN	£ 100,000.00	£ 36,000.00
2	Risk: Potential to miss key date for Planning Submission following design changes to approved scheme Impact: Key dates for planning missed narrowly - impacting programme.	26-Jan-23	3	3	9	Mobilised Landscape team and supporting consultants to produce all necessary work to support	Planning Permission Granted w/c 23/1/23	OPEN	£ 50,000.00	£ 18,000.00
3	Risk: Unknown existing structure and building services within gantries (to be removed) where concealed by fabric Impact: Feasibility, Cost and programme	26-Jan-23	4	3	12	Opening up, and inspection works taking place.	certain amount of opening up works and associated inspections undertaken Further works required - occupied units and tenants have limited scope.	OPEN	£ 100,000.00	£ 48,000.00
4	Risk: Possible poor condition of existing underground drainage. Impact: Cost and programme	26-Jan-23	4	3	12	CCTV survey undertaken 22/9	Survey report to be reviewed	OPEN	£ 10,000.00	£ 4,800.00
5	Risk: Ground Contamination of site Impact: Cost and programme	26-Jan-23	3	3	9	Geotechnical Surveys required	Geotechnical Surveys Instructed	OPEN	Inc in Cost Plan	£ -
1	Risk: Feasibility design risk of working around existing Utilities, with the risk that any of the Utilities Companies will insist on a diversionary plan or 'Building-over agreement' Impact: Cost and programme	26-Jan-23	4	3	12	Risk to be designed-out wherever possible. Design team to consider the proposed levels against existing services levels. Stopping up application has resulted in some objections and service which will require relocating - contacts are known and quotations are being sought for these works.	A GPR services scan has been undertaken and the information shared amongst the design team	OPEN	£ 15,000.00	£ 7,200.00
2	Risk: Party Wall Act - Work involving demolition and new construction works happening in close proximity of existing structures. Impact: Cost and programme	26-Jan-23	3	3	9	To ensure that all party wall agreements are in place with schedules of condition appended	Initial briefing and consultation with Party Wall Surveyors has taken place. Trial holes instructed to relevant areas to identify foundation relationship with adjacent properties. Full design solution required from Contractor/s to accompany service of notice/s. Detailed provisions for gantry removal will also be needed to accompany service of Party Wall notices to units in and around gantry removal interfaces and new fascias.	OPEN	£ 50,000.00	£ 18,000.00
3	Risk: Construction work within a busy town centre site, and enforced sequencing Impact: Inconvenience to Retailers and general public. Suitable phasing needs will affect programme and cost.	26-Jan-23	3	3	9	Early discussion and agreement required over the phasing of work with the Landlord (Installation of new drainage to Middle Entry, Shopfront works, removal of glazed roof will require careful phasing to minimise disruption)	Actions to date: Discussions with Client Planned Actions: Discussions required with Contractor/s and Landlord to consider and agree phasing	OPEN	£ 15,000.00	£ 5,400.00
4	Risk: Planning Consent NOT approved Impact: Cost and programme	26-Jan-23	3	4	12	Conditions to be discharged	Planning Permission Granted w/c 23/1/23	OPEN	£ 25,000.00	£ 12,000.00
5	Risk: Potential for insufficient Utility Infrastructure capacity to support the project proposals. Impact: Cost and programme	26-Jan-23	4	3	12	Early engagement with local utility suppliers.	Estimates for new supplies have been received. Team to issue orders as necessary.	OPEN	£ 50,000.00	£ 24,000.00
6	Risk: Integration of Client-named sub-contractor (such as Netvision) and the need to work with the Contractor, and in accordance with the Contractor's programme. Impact: Programme	26-Jan-23	3	3	9	Early introduction and RFI session/s. Early meetings between Netvision and Appointed Contractor + early exchange of sub-contract agreements, T&C's etc	Netvision Specification included within ER document pack. The successful Contractor's programme could be shared with Netvision as early as possible	OPEN	£ 10,000.00	£ 3,600.00
7	Risk: Feasibility design work in connection with adopted below-ground main drains Impact: Cost & Programme	26-Jan-23	3	4	12	Drainage proposals included with Planning Application Staffordshire highways approval will also be required.	Initial discussion to be held with Staffordshire Highways Full design team co-ordination required.	OPEN	£ 10,000.00	£ 4,800.00

£ 435,000.00 £ 181,800.00

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No	Risk Description & Potential Impact	Date Added / Updated	Impact	Likelihood	Risk Severity	Mitigation - Risk Control	Actions to Date / Planned Actions	Status	Maximum Cost	Risk Adjusted Cost
PEEL CAFÉ										
1	Risk: Party Wall Etc Act, potential for party wall disputes Impact: Programme delay due to time required to obtain sufficient detailed design proposals	26-Jan-23	4	4	16	Party Wall implications have been identified. Appointed party wall surveyor have been consulted and formal notice requires prescriptive details of works to be included. (This can only happen after Stage 4 design)	Initial briefing and consultation with Party Wall Surveyors has taken place. Trial holes instructed to relevant areas to identify foundation relationship with adjacent properties. Contractor's design team to provide the detailed information required.	OPEN	£ 10,000.00	£ 6,400.00
2	Risk: Delay and redesign work required due to remaining uncertainty over existing below-ground drainage Impact: Cost and programme	26-Jan-23	4	3	12	CCTV survey information and archive sewer records have confirmed that drainage proposals are feasible	CCTV drainage survey was carried out.	OPEN	£ 25,000.00	£ 12,000.00
3	Risk: Unknown condition of existing structure and building fabric where hidden by internal finishes. Impact: Cost and programme	26-Jan-23	4	3	12	Timber surveys and some opening up work undertaken to date.	Further inspections to be undertaken after strip out.	OPEN	£ 250,000.00	£ 120,000.00
4	Risk: Possible poor condition of existing underground drainage. Impact: Cost and programme	26-Jan-23	4	3	12	CCTV survey undertaken 22/9	Survey report to be reviewed + additional works and survey referred to above.	OPEN	£ 10,000.00	£ 4,800.00
5	Risk: Deleterious materials could be uncovered. Impact: Cost and programme	26-Jan-23	3	3	9	The Contractor will report findings	R&D Asbestos surveys already undertaken and report was provided with Tender information. Anthrax surveys needed together with Lead paint and other deleterious materials - Appointed Contractor Partner to be consulted	OPEN	Inc in Cost Plan	£ -
6	Risk: Full condition of envelope remains unknown (where full inspection not possible). Impact: Cost and programme	26-Jan-23	4	4	16	Contractor to undertake detailed review once work commenced.	Inspections have been undertaken and assumptions made as far as is reasonably practicable.	OPEN	£ 25,000.00	£ 16,000.00
7	Risk: Potential for insufficient Utility Infrastructure capacity to support the project proposals. Impact: Cost and programme	26-Jan-23	4	1	4	Early engagement with local utility suppliers.	Initial estimates for new supplies have been received	OPEN	£ 90,000.00	£ 14,400.00
8	Risk: South Staffs County Highways don't accept proposals for external works, raised thresholds to entrance and ATM. Impact: Timescale for Adoption of external work and Contractor's programme for the works	26-Jan-23	4	2	8	Stage 3 proposals to be shared with Staffs County Highways and Major Works Application made as soon as possible	Final detail may require Contractor's proposals. Final proposals once approved by Nationwide need to be submitted to South Staffs Highways	OPEN	£ 20,000.00	£ 6,400.00
9	Risk: Risk that appointed contractors require a longer timescale to produce RIBA Stage 4 design. Impact: Programme	26-Jan-23	3	4	12	Arrange an early stage RFI session with contractor	Discussions are underway with Appointed contractor partner	OPEN	£ 20,000.00	£ 9,600.00
									£ 450,000.00	£ 189,600.00

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No	Risk Description & Potential Impact	Date Added / Updated	Impact	Likelihood	Risk Severity	Mitigation - Risk Control	Actions to Date / Planned Actions	Status	Maximum Cost	Risk Adjusted Cost
ST. EDITHA'S SQUARE										
1	Risk: Feasibility design risk of working around existing Utilities, with the risk that any of the Utilities Companies will insist on a diversionary plan or 'Building-over agreement' Impact: Cost and programme	26-Jan-23	4	3	12	Risk to be designed-out wherever possible. Design team to consider the proposed levels against existing services levels.	A GPR services scan has been undertaken and the information shared amongst the design team	OPEN	£ 30,000.00	£ 14,400.00
2	Risk: Further fees and costs could be incurred in connection with the ground conditions / investigations such as further rounds of contamination testing, gas-monitoring, soakaway tests, CBR tests and the like Impact: Cost and programme	26-Jan-23	2	3	6	Allow provisional cost allowance.	Await first round of ground investigations which will inform this risk.	OPEN	£ 100,000.00	£ 24,000.00
3	Risk: Planning consent is not granted. Impact: Cost for redesign & resubmission + programme impact	26-Jan-23	5	2	10	Pre-application consultation with Planning Case Officer undertaken based on landscape proposals	Planning Submission anticipated w/c 30/1/23	OPEN	£ 25,000.00	£ 10,000.00
4	Risk: Potential for a seasonal embargo on Utilities work to impact the programme, and sequence of work. Impact: Programme	26-Jan-23	3	3	9	Consider dividing the works on site into phases such that the Utilities related works are done in advance of an embargo. Discuss this with Utilities Companies and / or Staffs County Highways	Initial programme has flagged the potential for an embargo and works are shown as pre-Christmas and post-New Year. Clarify potential embargo with Western Power and Staffs County Highways Network Manager	OPEN	£ 10,000.00	£ 3,600.00
5	Risk: Existing Utilities infrastructure is found to be insufficient to support the proposed scheme. Impact: Potential limitations to Lighting, or water and electrical outlets	26-Jan-23	4	1	4	Client to provide requirements for external water and electrical outlets as soon as possible.	Include this matter in design team meetings as soon as possible.	OPEN	£ 250,000.00	£ 40,000.00
6	Risk: Design and construction coordination - Risk that appointed contractors require a longer timescale to produce RIBA Stage 4 design including the builders & civil works. Impact: Programme	26-Jan-23	3	4	12	A single main Contractor with a Civil Engineering bias should be appointed.	Consider value of the project and consider any advantages which could be gained from direct procurement and early dialogue with a Civil Engineering Contractor	OPEN	£ 15,000.00	£ 7,200.00
7	Risk: Disconnected programme and prolonged disruption around College Project - extent and timing of works Impact: Programme risk if one or the other project is delayed	26-Jan-23	3	4	12	Coordinate the two schemes to consider common materials palette's, coordinate levels etc. Possibly include external landscape to the College frontage as part of the St. Editha's Square tender and make financial arrangement for funds with College project	Coordinate the two project programmes	OPEN	£ 25,000.00	£ 12,000.00
									£ 455,000.00	£ 111,200.00

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No	Risk Description & Potential Impact	Date Added / Updated	Impact	Likelihood	Risk Severity	Mitigation - Risk Control	Actions to Date / Planned Actions	Status	Maximum Cost	Risk Adjusted Cost
TAMWORTH ENTERPRISE CENTRE										
1	Risk: Party Wall Etc Act, potential for party wall disputes Impact: Programme	26-Jan-23	4	3	12	Party Wall implications have been identified. Tamworth BC could open up dialogue with adjacent Land owners in advance of the formal notice to smooth the process. Notices to be served by surveyor in good time.	Initial briefing and consultation with Party Wall Surveyors has taken place. Architect to provide construction details for party wall infill and new window formation. Trial holes instructed to relevant areas to identify foundation relationship with adjacent properties, to be followed by a cross-section drawing which would indicate potential impacts of demolition and College construction on the adjacent structures.	OPEN	£ 10,000.00	£ 4,800.00
2	Risk: Inaccuracy of measured survey information. Impact: Potential for significant scheme design impacts (design and programme)	26-Jan-23	4	2	8	Client-side Architect undertook spot checks of information. Further surveys to be undertaken after the soft-strip demolition phase.	Re-survey undertaken	OPEN	£ 250,000.00	£ 80,000.00
3	Risk: Unknown condition of existing structure and building fabric where hidden by internal finishes. Impact: Cost and programme	26-Jan-23	3	4	12	Timber surveys and some opening up work undertaken to date.	Further inspections to be undertaken after strip out.	OPEN	£ 250,000.00	£ 120,000.00
4	Risk: Possible poor condition of existing underground drainage. Impact: Cost and programme	26-Jan-23	4	3	12	CCTV survey undertaken 22/9	Survey report to be reviewed	OPEN	£ 10,000.00	£ 4,800.00
5	Risk: Deleterious materials could be uncovered during soft strip demolition phase. Impact: Cost and programme	26-Jan-23	3	3	9	The demolition contractor will report findings	R&D Asbestos surveys already undertaken and report was provided with Tender information.	OPEN	Inc in Cost Plan	£ -
6	Risk: Full condition of envelope remains unknown (where full inspection not possible). Impact: Cost and programme	26-Jan-23	3	4	12	Contractor to undertake detailed review once work commenced.	Inspections have been undertaken and assumptions made as far as is reasonably practicable.	OPEN	£ 25,000.00	£ 12,000.00
7	Risk: Potential for insufficient Utility Infrastructure capacity to support the project proposals. Impact: Cost and programme	26-Jan-23	4	2	8	Early engagement with local utility suppliers.	Detailed estimates for new supplies have been received	OPEN	£ 90,000.00	£ 28,800.00
8	Risk: Risk that appointed contractors require a longer timescale to produce RIBA Stage 4 design. Impact: Programme	26-Jan-23	3	4	12	Arrange an early stage RFI session with contractor	An 8-week tender period was allowed to reflect single stage design & build procurement.	OPEN	£ 25,000.00	£ 12,000.00
9	Risk: Long lead in items - e.g. Lift Impact: Operational readiness i.e. Facility could be complete before lift is commissioned.	26-Jan-23	2	4	8	Requires early acceptance of Contractors Proposals and possibly a letter of intent so that Contractor can place order.	Contractors were asked to identify long-lead items on programme at tender stage. Detailed requirements included in ER Document pack at tender stage	OPEN	£ 20,000.00	£ 6,400.00
10	Risk: Risk that Client FF&E is not delivered and set-up in accordance with Contractor's key date or Client's planned go-live date. Impact: Operational readiness.	26-Jan-23	3	3	9	Furniture / workplace layout to be fixed / frozen as early as possible or in accordance with Contractor's programme. Early introduction of furniture supplier is advisable so that CAD layouts can be shared, schedules created and costed. Early order placement advisable	Client to assure procurement and lead-in time.	OPEN	£ 10,000.00	£ 3,600.00
11	Risk: Integration of Client-named sub-contractor (such as Netvision) and the need to work with the Contractor, and in accordance with the Contractor's programme. Impact: Programme	26-Jan-23	3	3	9	Early introduction and RFI session/s. Early meetings between Netvision and Contractor + early exchange of sub-contract agreements, T&C's etc	Netvision Specification included within ER document pack. The successful Contractor's programme could be shared with Netvision as early as possible	OPEN	£ 10,000.00	£ 3,600.00
									£ 700,000.00	£ 276,000.00

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Thursday, 9 February 2023

Report of the Audit Manager

Quarterly Internal Audit Progress Report - Quarter 3

Exempt Information

None.

Purpose

To provide Audit & Governance Committee with internal audit's progress report for period to 31 December 2022.

Recommendations

That the Committee notes Internal Audit's Quarterly Report (Appendix 1), which includes results up to 31 December 2022.

Executive Summary

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate effectiveness of their risk management, control and governance processes, taking into account Public Internal Audit Standards and guidance.

Progress during Quarter 3 of 2022/23 is contained and detailed in **Appendix 1** to this report. The performance against target of 72% completion of the audit plan is currently 35%. Following comments received from this Committee **Appendix 1** includes a profile of the work to be completed quarter by quarter.

I previously reported that we had procured the services of BDO to undertake general audit services and an outline of the currently outstanding work is contained in the appendix. At Qtr 2, it was anticipated the completion of the remaining audits during quarter 3 would result in a completion rate at 31st December of 75%. These reviews were originally expected to be fully started and a number completed by 31 December. However due to scheduling requirements a number of audits have been moved from Quarter 3 to Quarter 4, these are outlined in **Appendix 1** – with a forecast completion rate for the year of 75% compared to the target of 90%.

In the current financial year we underwent a recruitment exercise to appoint a Senior Auditor which would have provided a sufficient level of resource to complete the Audit Plan. As Committee will be aware we were unsuccessful in this recruitment exercise. This led to a delay in getting started on the Audit Plan for 2022/23 and is the reason behind the low completion of the plan. To ensure that this situation does not reoccur in 2023/24 the Audit Manager has looked at procuring IT Audit resource via a 1 year extension of the current contract. Additional discussions are being undertaken to allow us to extend the current contract with BDO via the NHS framework agreement, again for a further year. The earlier implementation of these contracts would mean that we can proceed with the audit plan from April 2023.

I can report that Internal Audit's compliance with the Public Internal Audit Standards is currently being assessed and a full report will be provided to this committee once this has been completed.

Options Considered

Not applicable.

Resource Implications

Not applicable.

Legal/Risk Implications Background

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Internal Audit Standards.

Equalities Implications

None.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None.

Report Author

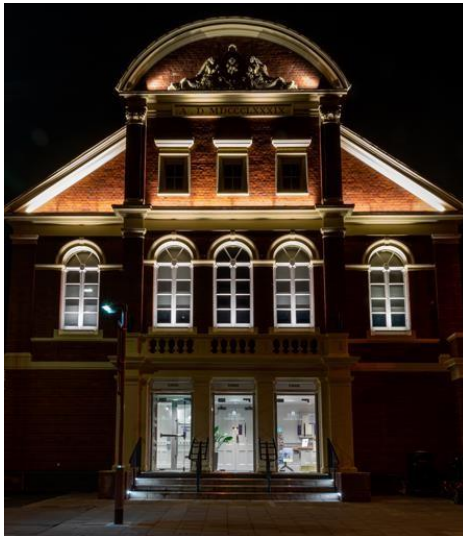
Andrew Wood – Audit Manager
Andrew-wood@tamworth.gov.uk

List of Background Papers

Appendices

Appendix 1 – Internal Audit Progress Report including progress to 31 December 2022.

Internal Audit Progress Report (Quarter 3)
January 2023



Contents

- 01 Introduction
- 02 Internal Audit Work Undertaken
- 03 Opinion
- 04 Follow Up
- 05 Performance of Internal Audit

Appendices

- 01 Summary of Internal Audit Work Undertaken
- 02 Assurance and Recommendation Classifications

In the event of any questions arising from this report please contact Andrew Wood, Audit Manager andrew-wood@tamworth.gov.uk

The matters raised in this report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report was produced solely for the use and benefit of Tamworth Borough Council. The Council accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification.

01 INTRODUCTION

BACKGROUND

This report summarises internal audit activity and performance for the period to 31 December 2022.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This progress report and opinion forms part of the framework of assurances that is received by the Council and is used to help inform the annual governance statement. Internal audit also has an independent and objective consultancy role to help managers improve risk management, governance and control.

Internal Audit's professional responsibilities as auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board produced by the Internal Audit Standards Advisory Board.

ACKNOWLEDGEMENTS

Internal audit is grateful to the directors, heads of service, service managers and other staff throughout the council for their help during the period.

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2022/23 was approved by the Audit & Governance Committee at its meeting in March 2022. The plan was for a total of 18 audits. To the end of quarter 3 2022/2023 we have completed 35% of the audit plan. An analysis of audit plan completion and indicatively planned audits is shown in the table below;

	Q1	Q2	Q3	Q4
Number of audits allocated per quarter	3	4	8	3
% of plan	17	22	44	17
Cumulative audit plan %	6	28	72	

Planned work initially envisaged that by 31 December 2022 we would have completed 72% of the Audit Plan, actual out turn figures show that we have completed 35% of the expected plan. At Qtr 2, it was anticipated the completion of the remaining audits during quarter 3 would result in a completion rate at 31st December of 75%. These reviews were originally expected to be fully started and a number completed by 31 December. However due to scheduling requirements a number of audits have been moved from Quarter 3 to Quarter 4 – with a forecast completion rate for the year of 75% compared to the target of 90%.

Quarter three work has continued, completing annual reports, compliance statements and supporting counter fraud checks on Coronavirus Business Grants and Energy Rebates.

We have now completed the procurement exercise for general auditor support and BDO were contracted to undertake these services from early September 2022. Audits have been allocated to BDO and these are outlined below.

The audit findings of each review, together with recommendations for action and the management response are set out in our detailed reports. A summary of the reports we have issued and the progress made this year is included at **Appendix 01**.

03 OPINION

SCOPE OF THE OPINION

In giving an opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at an opinion, the following matters have been taken into account:

- The outcomes of all audit activity undertaken during the period.
- The effects of any material changes in the organisation's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation.
- What proportion of the organisation's internal audit needs have been covered to date.

INTERNAL AUDIT OPINION

On the basis of audit work completed, the Audit Manager's opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been, or are in the process of being addressed.

Specific Issues

No specific issues have been highlighted through the work undertaken by internal audit during the period.

Fraud & Irregularity

No matters of fraud or irregularity have been reported during the period. Also see the fraud update on this Committee's agenda.

Consultancy & Advice

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters from time to time. During the period to 31 December 2022, the following was undertaken:

- Attending disabled facilities grant working group;
- Test and Trace assurance statement; and
- Protect and Vaccinate assurance statement.

04 Follow Up

As previously agreed by the Committee, all high priority actions and those arising from no and limited overall assurance reports are followed up by audit, managers confirmation applies to the rest.

The total outstanding actions at the end of Quarter 3 are 82 (13 high, 48 medium, 21 low). During 2022/23 the Audit Manager continues to hold quarterly meetings with all Assistant Directors to review all outstanding recommendations. This has shown a specific improvement in the implementation and the number of recommendations, over time, has been shown within **Appendix 3**. This shows in tabular graph form the progress regarding the number of outstanding audit recommendations over time.

The Audit Manager is currently holding meetings with all Assistant Directors to review outstanding recommendations as at 31 December 2022 and will complete this work by end of January 2023.

Priority of Recs	Number of O/S recs – 30 Sept 2022	Number of recs closed during the period Sept – Dec 2022	Number of additional recs made during Q3	Number of current O/S recs as at 31 Dec 2022	Overall movement of rec numbers during the quarter 3
High	17	6	2	13	-4
Medium	43	9	14	48	+5
Low	21	8	8	21	NIL

As at 31 December 2022 there were 13 high priority recommendations outstanding however of these 12 were overdue and these are being followed up during January/February 2023 as part of the Quarter 3 review with Assistant Directors.

The current high priority recommendations which are overdue relate Housing Repairs (5), PCI DSS (3), Data Protection (2) Landlord H&S (1) and GDPR (1). In all cases progress is being made on these recommendations and implementation will be reported to this committee.

Compliance with professional standards

We employ a risk-based approach in planning and conducting our audit assignments. Internal audit work has been performed in accordance with PSIAS.

Conflicts of interest

There have been no instances during the year which have impacted on internal audit's independence that have led to any declarations of interest.

Performance of Internal Audit

Internal audit quality assurance


To ensure the quality of the work internal audit performs, there is a programme of quality measures which includes:


- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular meetings of our networking groups, which issue technical and sector updates.

Performance Measures


- Complete 90% of the audit plan - 35% relates to assurance work completed.
- 100% Draft reports issued within 6 weeks of start date – 30%
- 100% Closure meetings conducted within 5 days of completion of audit work – 63%
- 100% draft reports to be issued within 10 working days of closure meeting – 100%
- 100% of all high priority actions are implemented at follow up – 100%
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – 100%
- Achieve an average customer satisfaction score of 4 or more – 100% (4 out of 7 returned)

Appendix 01: Summary of Internal Audit Work Undertaken


Assurance	Audit	Scope	Indicative Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Council Tax	Risk based review covering the adequacy and effectiveness of controls around the maintenance of systems, billing, discounts and reliefs, collection, refunds and write offs.	Q2	In progress, closing meeting completed with management awaiting issue of draft report.	
	Payroll	Risk based review to ensure controls in place for the timely and accurate payment of salaries and subsistence allowances to staff and members. To include, new starters, leavers, accounting for tax and deductions.	Q3	Allocated to BDO – scoping and briefing meetings held. Scheduled for February 2023	
	Housing Rents	Risk based review of housing rents system to ensure correct rent charged, payments recorded, rent accounting systems are accurate. Controls in place for the setting up of rent debit.	Q3	<p>The system has some good controls in place to mitigate against key risks. New tenancies tested confirmed that rental charges had been set up correctly to the rent stated in the tenancy agreement. Rent had been correctly increased in April and in-year rent changes had been calculated and correctly updated based on the affordable rent requirements. Changes to properties including acquisitions and disposals had been updated on the Orchard system. There is a detailed process for calculation of service charges for leaseholders and rents, based on actual costs and recharges of resource time. Calculated charges had been correctly raised either through the Orchard system or the E-fins invoicing system. Income received through AIM had been correctly and promptly posted to the tenancy.</p> <p>An affordability checklist is completed on all new tenancies and it was evident through arrears testing that support is provided to the tenant through internal advice or referral to external agencies. Arrears are regularly monitored and reported as is rental income. Write offs are processed quarterly and had been approved according to financial guidance. Reconciliations to ensure financial information is correctly stated are completed regularly, including E-financials, Orchard and AIM.</p> <p>The weaknesses found within the rents system include an update of the rent collection prevention and recovery procedures and the procedure monitoring spreadsheet. Prompt return of signed tenancy agreements and clearing of the rent suspense account. Arrears action to</p>	 <p>H-0 M-7 L-2</p> <p>Reasonable Assurance</p>


				be undertaken consistently and former arrears from flexible fixed tenancies to also be actioned.	
	Business Grants	Risk based review grants allocated to businesses to ensure compliance with award criteria and accurate/robust payment systems in place and operating. Proactive assessment processes in place prior to grant award. Robust processes in place for the repayment and recovery of grants.	Q1-Q4	Audit deleted from plan and replaced with review of Agency Staffing arrangements/	
Strategic & Operational Risks	Cemeteries	Risk based review of the cemetery operations to ensure compliance with Health & Safety requirements, together with overall management controls of the service.	Q1-Q4	<p>The system has some good controls in place to mitigate against key risks.</p> <p>Training has been provided to staff via an external provider and is regularly refreshed. Risk assessments are completed annually for cemetery related tasks and use of equipment. Equipment is certified as in good working order each year, with equipment rotated to prevent wear and tear. Testing confirmed that all income due has been received and at the correct fee.</p> <p>Documentation in relation to burials, cremations, pre-selects and memorials was in place. Grave maintenance records are completed which include the grave size to be dug; sizes agreed to those provided by the funeral directors. Grave sizes are independently checked for size prior to the burial/ cremation. Cemetery maps were updated with both burials and preselects details. A 6-month check of the grave is completed. Memorial applications are required to use accredited stonemasons and approval is received through a permit issued by the cemetery officer.</p> <p>The weaknesses found within the cemeteries system included the requirement to document a workflow for all processes, staff cover for absences to be addressed, retention of documentation in one location and recording receipt for all income, restricted access to amending records, consider enforcement action/ revision of regulations for non-compliance with the cemetery rules and documenting memorial safety testing policy/ procedure.</p> <p>Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	 <p>H-0 M-7 L-2</p> <p>Reasonable Assurance</p>

	Recovery and Reset	Programme assurance based review of Recovery and Reset programme. Programme assurance includes programme planning, governance structure and controls, delivery,	Q3	Allocated to BDO – scoping and briefing meetings to be held. Scheduled for February 2023.	
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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.			
	Future High Street Fund	Programme assurance review (as recovery and rest above) of progression towards transformation of the town centre following the £21.65m allocation of Future High Street Funding.	Q3		
	Housing White Paper – follow up	Risk based review of organisation implementation for new regulatory inspection regime.	Q3	Scheduled February 2023.	
	Climate Change	Risk based review looking at the Council's preparation to de-carbonisation / climate change agenda.	Q1	Audit progressing - fieldwork complete and closure meeting held.	
	Income Management	Risk based review of the Council's controls around the management of income throughout the Council is ensure that this collected in a robust manner that accounts for monies received.	Q4	Allocated to BDO – scoping and briefing meeting held. Scheduled for February 2023.	
	Project Management	Programme assurance based review of Council's Project Management systems. Programme assurance includes programme planning, governance structure and controls, delivery, change management, RAIDD management (Risk, Action, Issue, Decision, Dependency), testing and reporting.	Q3	Allocated to BDO – scoping and briefing meeting held. Scheduled for February 2023.	
	Landlord Health & Safety	Compliance review to ensure that the Council maintains compliance	Q1	The landlord health and safety system is designed with controls in place to mitigate the major risks. Compliance activities are recorded and scheduling facilities act as a prompt for regular inspection. The Orchard Housing Management system is updated with additions and disposals of properties. Task scheduling and documents such as risk assessments are held on the Zetasafe	 H-1 M-8 L-2


			<p>system.</p> <p>Assurance is provided by Morgan Lambert who inspect gas and electric certificates and Zurich who inspect lift maintenance. The contractor, Graham is accredited for fire risk assessment, surveying of asbestos and holds registration with legionella control association.</p> <p>Testing noted that fire risk assessments were completed annually, completed gas and electric inspections were confirmed by the relevant certificates and legionella risk assessments have been completed. Firefighting equipment checks are completed annually, and jobs raised to rectify any remedial action. Lifts and stairlifts have been serviced in accordance with the schedule.</p> <p>Meetings are held with the contractors regularly, compliance meetings with EQUANs fortnightly and Graham, monthly. Agenda items include servicing programme, remedial actions, action monitoring tracker status.</p> <p>The weaknesses found within the landlord health and safety system included obtaining confirmation that remedial action has been undertaken following on from fire and legionella risk assessments and EICR's (requesting new certificates). Information was requested in relation to the systems in place for empty properties to confirm compliance with the legionella policy. Although some documents and an overview were provided, more detail and clarification was requested but not provided during the course of the audit.</p> <p>Additional areas of control weakness were also identified. There were two void properties that had not had an asbestos survey completed during the void period. The asbestos policy needs reviewing to align to current practice. Legionella required actions should be updated on the Zetasafe tracking system. There is a performance indicator for gas and electric only, with key performance indicators (KPI's) for lift inspections, fire assessments, asbestos surveys or legionella risk assessment/ sampling not in place. New tenants would benefit from documented responsibilities in relation to asbestos, gas and electric management. Relevant staff would benefit from refresher training. Implementation of the recommendations in the action plan will enhance arrangements. Draft report issued for management comment</p>	<p>Reasonable Assurance</p>
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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
		with relevant H&S legislation as it affects; asbestos, lifts, fire assessments and general H&S within housing stock – electrical/gas.			
	Events Management	Risk based review looking at key aspects of the council's operations in relation to the management of events, to include; bidding for external events, management of internal events.	Q2		
ICT	Web Portals	ICT review of the development and management of web portals to ensure that this is developed and rolled out in a consistent and managed manner. To ensure that web portals do not place Council systems at risk. Web Portal management is maintained and regularly updated.	Q2-Q4	<p>The MyHousing and MyTamworth web portals are accessible from the "Do it online" area of the corporate website. Users who want to access their housing or council tax records have to create an account on the relevant portal and the process for doing this is clear. All new users have to provide certain information in order for their accounts to be validated and all accounts are password protected. We identified some weaknesses over password security and user authentication which need to be addressed.</p> <p>The default access provided to new users is limited on both portals, until their accounts are validated. The MyHousing portal has a report which shows when users have logged in but it does not report on failed logins or on what activity the user has performed. The MyTamworth portal has a report on user activity but it does not report on logins or failed logins. The lack of available reports on failed logins on both portals could lead to security incidents going undetected.</p> <p>Both portals validate all data input for completeness and accuracy. There are also processes for ensuring all reports/tasks generated on each portal go to the right team for actioning.</p> <p>The two portals are accessed over a secure and encrypted network connection. The MyTamworth portal is managed by ICT Services and has a level of security to protect against cyber-attacks, although we have identified areas where this can be further strengthened. A new hardware platform is being implemented for the MyHousing portal, soon to be managed by ICT Services, and it should be security hardened during the build process.</p>	 <p>H-0 M-7 L-10</p> <p>Reasonable Assurance</p>

				<p>There is an accessibility statement on the main corporate website but we found that the two web portals are not tested for compliance with accessibility standards. There is a privacy and cookies policy on both portals.</p>	
GDPR	A risk based review to ensure compliance with GDPR legislation across the authority.	Q2-Q4	<p>There is a documented and approved Data Protection Policy in place, which is generally comprehensive although we found that it is not published. The corporate data retention schedule is still in draft and there are no procedures for ensuring it is adhered to in service areas.</p> <p>The Information Governance Manager is the council's designated Data Protection Officer (DPO) and the responsibilities of the DPO are documented in accordance with GDPR Article 39. The UK GDPR states that the DPO should report to the highest level of management and this is met via a reporting line to the Assistant Director – People, although this is not formally defined and thus should be included in the Data Protection Policy for transparency. All staff are required to undergo mandatory training on GDPR and our testing found that the majority of staff completed it in 2018. The training is not refreshed and hence there is a risk that staff are unaware of their data protection responsibilities.</p> <p>The biggest risk identified is that the council do not have a formal Record of Processing Activities (ROPA), which is a mandatory requirement and underpins the data protection compliance regime. The ROPA logs what personal data is held, why it is processed, the lawful basis for processing and other key information. Copies of contracts used with data processors were not available for us to review and confirm they include the required GDPR clauses.</p> <p>Privacy notices, or fair processing notices as they are sometimes known, are included on the corporate website. A review of a sample of notices confirmed they include the relevant information but we found they have not been reviewed since May 2018. The main privacy notice still refers to the Data Protection Act 1998. A sample test of online forms on the website found they do not have a privacy notice and paper forms that collect personal data</p>	 <p>H-1 M-6 L-3</p> <p>Limited Assurance</p>	

				<p>have also not been reviewed to ensure they have a suitable privacy notice.</p> <p>There are procedures in place for dealing with subject access requests (SAR's), however, they are not documented. A review of a sample of recent SAR's confirmed they had been responded to within the one month deadline imposed by UK GDPR.</p> <p>There are documented procedures for dealing with data breaches, which include reporting serious breaches to the ICO within 72hrs. There have been two such reports in 2022. We have identified minor control weaknesses that should be addressed to improve breach reporting procedures.</p> <p>There is a documented procedure for performing a Data Protection Impact Assessment (DPIA). Roles and responsibilities for completing DPIA's are not defined, which could lead to them not being completed for all projects involving the processing of personal data.</p>	
	Disabled Facilities Grant	Assurance Statement	Q3	Assurance work required for certification sign off	
	Municipal Charities	Preparation of municipal charities accounts	Q3		
	Pensions	Assurance Statement	Q4	Allocated to BDO – scoping and briefing meetings to be held. Scheduled for March 2023	
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	Q1-Q4	On-going	
	Annual Governance Statement	Production of the AGS	Q1-Q2	AGS fully completed and reported to Audit & Governance Committee.	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Annual Audit Opinion	Production of the Annual Audit Opinion	Q1-Q2		
	Management and Planning	Management, planning and assurance reporting to CMT and Audit & Governance Committee	Q1-Q4	On-going	
	Ad-hoc / Consultancy / Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer	Q1-Q4	On-going	
	IA QAIP and PSIAS	Review of PSIAS standards and review	Q3	In progress	
Additional Assurance Reviews requested by management	Protect and Vaccinate	Assurance review to enable sign off by the Chief Executive and S151 Officer		Complete	
	Test and Trace	Assurance review to enable sign off by the Chief Executive		Complete	
21/22 Planned Audits finalised	NNDR	Risk based review of NNDR including assurance over the adequacy of controls around the maintenance of systems recording taxable properties and liable persons, billing, discounts and reliefs, collection, refunds and write offs.		<p>Controls were in place to mitigate against key risks. The Academy System maintains a record for each account of the total amount of income due to be received based on the rateable value of the property and any discounts/exemption if applicable. In addition it maintains a record of all transactions relating to bills issued, refunds made and income received, including if any reminder letters have been sent or summons issued. Sample testing relating to discounts/exemptions, refunds and arrears was conducted. In all cases appropriate documentation had been maintained to support the transactions and, where appropriate, action relating to arrears had occurred.</p> <p>A reconciliation of daily NDR income received is conducted between the Academy System and the Aims System. A sample of 10 daily reconciliations were reviewed. In all cases any discrepancy had been investigated and the reason for the discrepancy noted. In addition a monthly reconciliation of NDR Income received is carried out between the Academy system and the General Ledger. Four reconciliations were reviewed and in all cases no differences had been noted and all the reconciliations had been appropriately completed and authorised.</p>	 <p>H-0 M-0 L-2</p> <p>Substantial Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>In addition, reconciliations of the total Rateable Value are carried out between the Academy system and Valuation Office listings and reconciliation details are appropriately maintained. For a sample of 5 VO lists there were no discrepancies identified. A secondary check had also been conducted for all cases where there had been a change in the Rateable Value compared to the previous list.</p> <p>As per the previous audit report five recommendations had been made, out of which two were not agreed. For the three that had been agreed, it was confirmed that two had been actioned. However, one relating to periodic reviews of discounts applied had not been actioned and therefore the recommendation has been reiterated.</p> <p>It was also noted that no current year write offs had been processed and an appropriate recommendation has been made.</p>	
	Assets and Inventory	Risk based review covering the adequacy and effectiveness of controls regarding the Council's assets and inventory.		<p>The audit was completed on five service areas (Sheltered Housing, Marmion House/Town Hall, TEC, Castle and IT). Information was not provided to the auditor for the Assembly Rooms, Street Scene and Leisure.</p> <p>The asset and inventory system is designed well with controls in place to mitigate against the risks. Assurance can be given that the design of controls is adequate and the controls were found to be operating effectively.</p>	 <p>H-0 M-4 L-2</p> <p>Reasonable Assurance</p>

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				<p>The requirements of managing assets and inventory is noted in the Council's Financial Guidance Section C 11.</p> <p>Service areas maintain records of equipment required to carry out their functions. The Council Asset Register is maintained in the Asset Manager system and access is restricted to Finance. The Asset Register is updated annually, service areas update their inventories at the time of any additions or disposals.</p> <p>The Council Asset Register is maintained by the Assistant Director – Finance and is updated once a year as part of the Final accounts process although other registers such as Insurance Register are updated as and when necessary throughout the year. Again, as part of final accounts process asset users are asked to verify that they still have and use the assets allocated to them. All responses from managers are collated by the Assistant Director Finance</p> <p>Property is secured when not in use as appropriate, locked rooms, CCTV, alarm systems, keys locked in secure cabinets. IT equipment is tagged with pre-printed numbered tags that cannot be easily removed.</p> <p>Some areas for improvement were identified. Inventory records are not fully completed and lack detail as required in the Financial Guidance. The IT Asset Register did not include detail of the employee allocated the equipment. The replacement of equipment is not reflected as a disposal / addition to the record. There was no evidence to confirm that an annual verification of inventory had been completed. Inventories are not consistently security marked.</p> <p>Implementation of the recommendations in the action plan will enhance arrangements and address these risks.</p>	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Follow Up of No and Limited Assurance Opinion Audits					

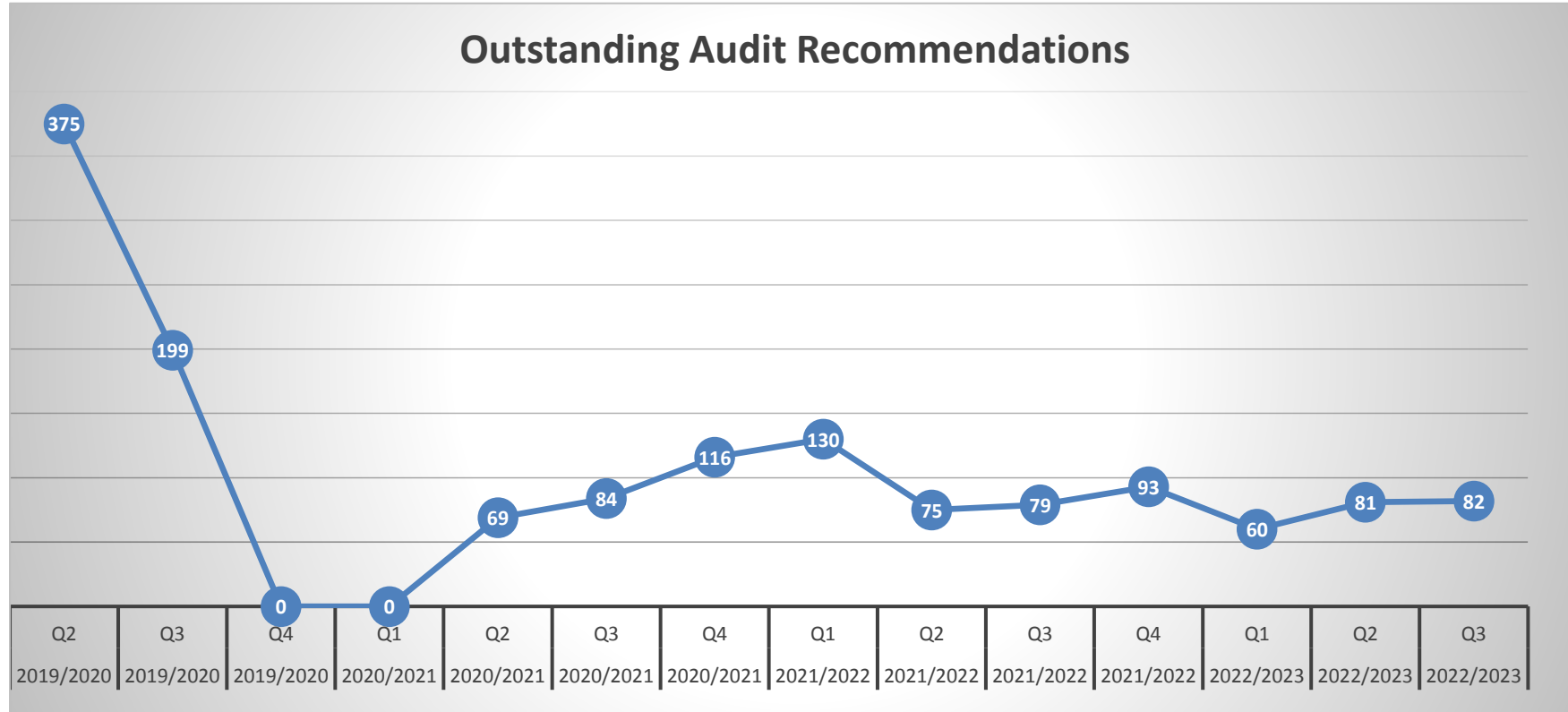
Appendix 02: Assurance and Recommendation Classifications

Overall Assurance Opinion	Definition
Substantial	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are some weaknesses which may put the organisation's objectives in this area at risk. There is a low level of non-compliance with some of the control processes applied.
Limited	Weaknesses in the system of internal controls are such as to put the organisation's objectives in this area at risk. There is a moderate level of non-compliance with some of the control processes applied.
No	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

Recommendation Priority	Definition
High	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
Medium	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency of further reduce the organisation's exposure to risk.

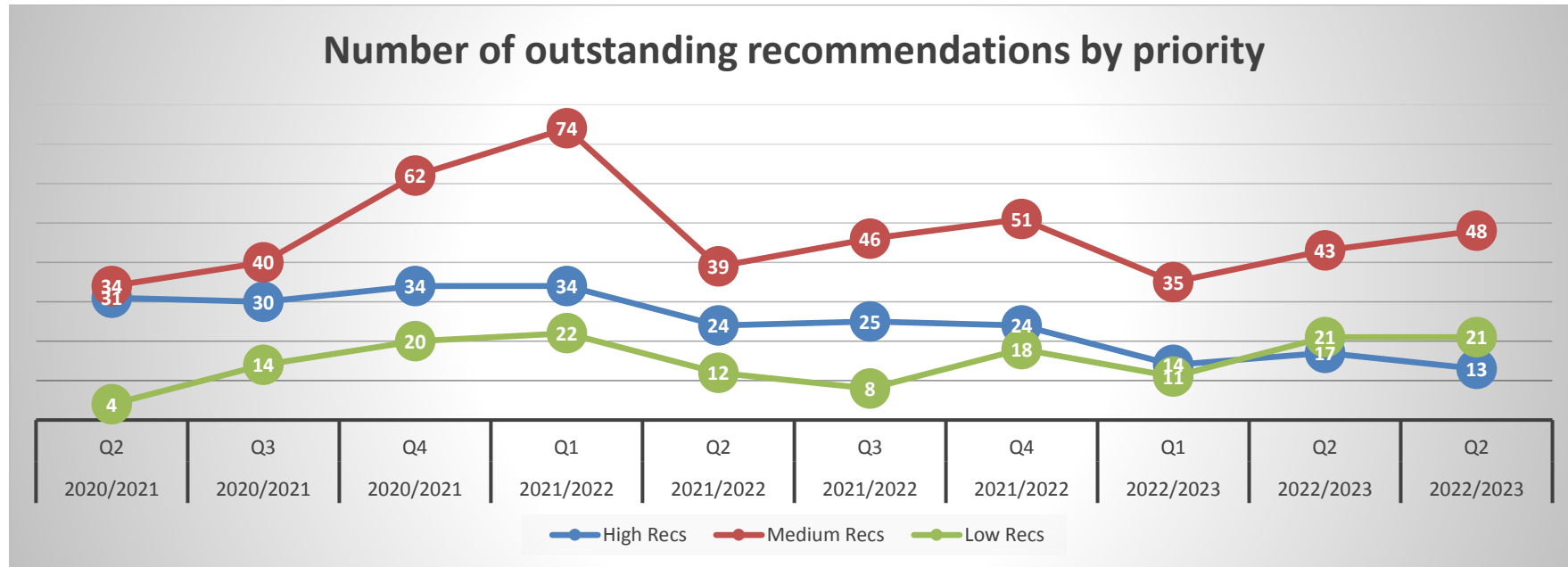
Appendix 03: Outstanding Audit Recommendations

The graph below shows the number of outstanding audit recommendations over time.



To inform the process I have included a table below outlining the number of outstanding actions whether High, Medium or Low Priority.

Below is a table showing the number of recommendations in each assurance level.



Financial Year	Quarter	No of Outstanding Recommendations	No of High Recs	No of Medium Recs	No of Low recs
2019/2020	Q2	375			
	Q3	199	101	98	NIL
	Q4				
2020/2021	Q1				
	Q2	69	31	34	4
	Q3	84	30	40	14
	Q4	116	34	62	20
2021/2022	Q1	130	34	74	22
	Q2	75	24	39	12
	Q3	79	25	46	8
	Q4	93	24	51	18
2022/2023	Q1	60	14	35	11
	Q2	81	17	43	21
	Q3	82	13	48	21

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Thursday, 9 February 2023

Report of the Audit Manager

Audit Committee Effectiveness

Exempt Information

None.

Purpose

To undertake the annual self-assessment of Audit & Governance Committee effectiveness and provide an update in relation to the appointment of independent member/s to the Committee.

Recommendations

It is recommended that:

- 1. The Committee considers the attached self-assessment checklist (Appendix 3) and endorses any actions to improve its effectiveness as appropriate.**
- 2. The Committee considers and ratifies the approach to be taken in respect of appointing an Independent Member to the Committee.**

Executive Summary

CIPFA published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance updated in 2022 and incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022)* (the Position Statement) is attached as **Appendix 1**. Additional guidance has been issued in conjunction with the Position Statement and this is attached as **Appendix 2**.

The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities, and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

Appendix 3 provides a high-level review that incorporates the key principals set out in CIPFA's Position Statement and has been completed by the Audit Manager and is circulated to members for their comments and observations. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are essential factors in developing an effective Audit Committee.

A regular self-assessment should be used to support the planning of the Audit Committee work programme and training places; and inform the annual report. As part of this year's self-assessment members were circulated, prior to this meeting, a 'knowledge and skills' self-

assessment (**Appendix 4**), the results of which will be fed into the training provision in 2023/24. Members are requested to complete the attached at the earliest opportunity and return to the Audit Manager so a training plan for 2023/24 can be developed.

APPOINTMENT OF INDEPENDENT MEMBER/S TO COMMITTEE

Members will be aware that it was previously agreed to recruit an independent member to the Committee. The position was advertised locally and we received one application. On review of this application the individual concerned did not meet the criteria required to be Independent Member.

As there were no specific candidates the Audit Manager has spoken to other Chief Auditors within Staffordshire to obtain sector wide views regarding the appointment of Independent Members to Audit Committees. It appears from these discussions that there are issues where the position is unremunerated and other Councils have reported the lack of potential applicants.

It is therefore proposed to review the current arrangements and firstly confirm that the Committee wishes to appoint an Independent Member and secondly undertake further investigation into this position being readvertised.

Options Considered

None.

Resource Implications

None.

Legal/Risk Implications Background

None.

Equalities Implications

None.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None.

Report Author

Andrew Wood – Audit Manager
andrew-wood@tamworth.gov.uk
Ext 234

List of Background Papers

Appendices

Appendix 1 CIPFA Position Statement on Audit Committees (2022)

Appendix 2 CIPFA Guidance to Audit Committees (2022)

Appendix 3 Audit Committee Self-Assessment of Compliance with Good Practice

Appendix 4 Skills & Knowledge Self-Assessment

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. 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.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

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.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- 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.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good 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.

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.

Establishing appropriate and effective arrangements for audit and assurance

- 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 the 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 providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- 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
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- 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. The report should be available to the public.

Impact

As a non-executive body, 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.

The committee should evaluate its impact and identify areas for improvement.

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Audit committees:

practical guidance for
local authorities and police

2022 edition

The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

The audit committee member in a local authority

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CIPFA is keen that the guidance provides practical support to audit committee members and those who work with the committee. It is therefore invaluable that we have interacted with audit committee members and officers through our training courses and events.

Thank you for providing your insights on the challenges, frustrations and rewards of being an audit committee member. I hope that this publication can support you in undertaking your important work.

Diana Melville

Governance Advisor, CIPFA

Introduction to the new guidance

As a member of your authority's audit committee, you play an important role in the good governance of the authority. The audit committee contributes to its overall success by examining how its arrangements for decision making, consideration of risk and operations work. The committee has a unique view – one that is non-political. Instead of focusing on policy and decision making, it examines the 'engine' of the authority – how things get done. Most importantly, it shines a light on areas where things might be missed or need to adapt or improve.

To be a success, your audit committee must have a good grasp of its role and responsibilities. It will also need to follow some good practice principles. These are set out in the [CIPFA Position Statement on Audit Committees](#).

The aim of this practical guide is to support you in your time as an audit committee member.

This section of CIPFA's guidance is for members of an audit committee in an authority. It will support both elected members and co-opted independent members (also known as lay members) to understand the purpose of the committee and its functions and their responsibilities as members of the committee. It will link to other sections of CIPFA's guidance, which will provide additional resources.

FURTHER SECTIONS OF CIPFA'S GUIDANCE

The 2022 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* builds on previous editions but aims to better target the guidance at the most appropriate audience. This section is aimed directly at audit committee members in local authorities. A separate section covers the same material but for police audit committees.

Guiding the audit committee is a supplement to the member guide. It is aimed at those who support the committee, helping them to ensure that its operations are in accordance with the appropriate legislation and good practice. It also includes links to additional resources that are relevant for the committee's work. Audit committee members may also wish to access this supplement.

There are several appendices available, including example terms of reference, improvement tools and a knowledge and skills framework. These are available across all parts of this publication.

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The purpose of audit committees

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. 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.

Impact

As a non-executive body, 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.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

HOW THE AUDIT COMMITTEE SUPPORTS OVERALL GOVERNANCE WITHIN THE AUTHORITY

The overall aim of good governance is to align the authority's processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is appropriate stewardship of public assets and resources
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.

Governance for the sector is defined in **Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016) as follows:

- *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*
- *To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

Good governance is ultimately the responsibility of the governing body (the full council or equivalent), as well as those with leadership roles and statutory responsibilities in the organisation, including the elected mayor (where applicable), chief executive, the chief financial officer (CFO)

and the monitoring officer. In local government, the governing body is the full council or authority. Putting good governance into practice requires both members and officers to play their part.

The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, the authority sometimes delegates specific governance responsibilities, though CIPFA's recommendation is that the audit committee should remain an advisory committee.

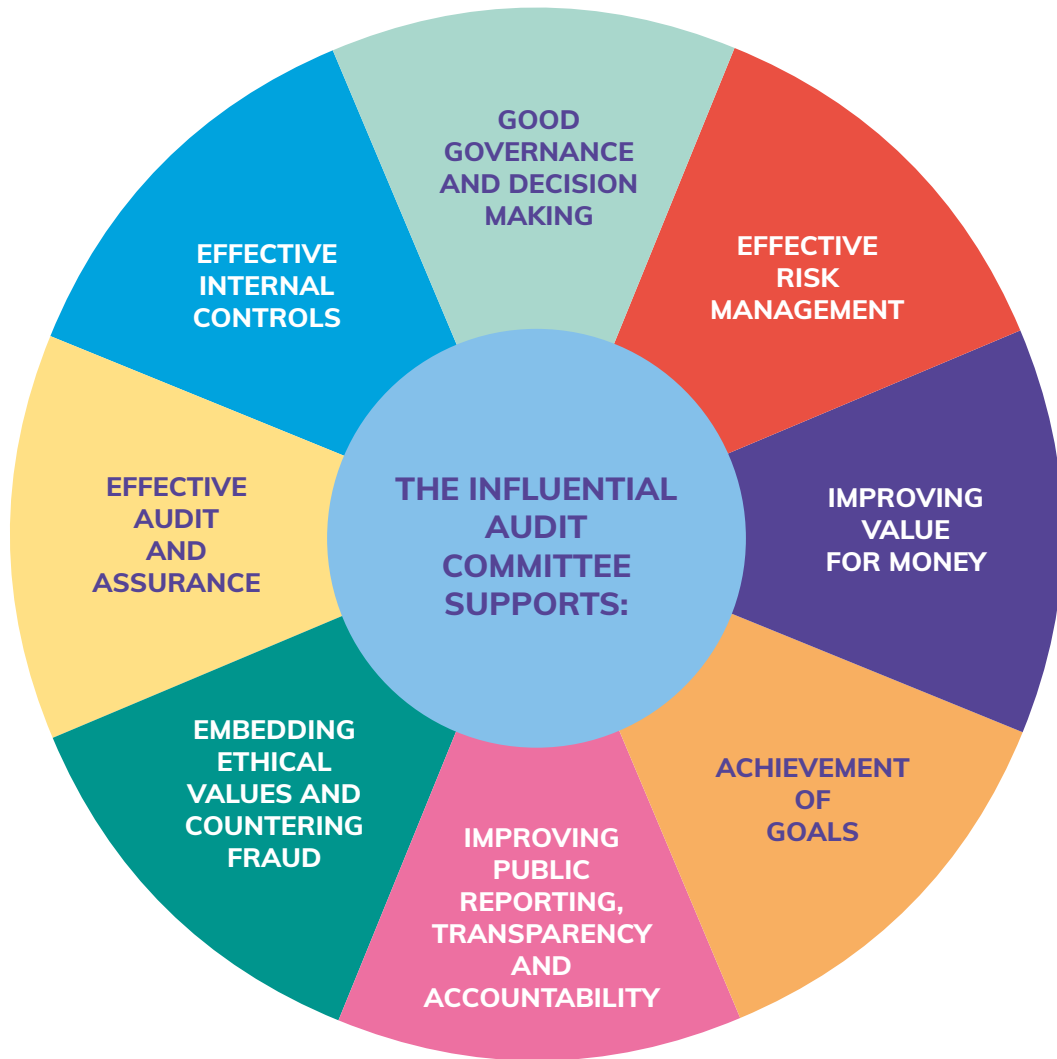
As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource for the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership, together with support and openness from the authority.

The principal areas where the committee can exert influence and add value are:

- aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements
- promoting the principles of good governance and how they are applied during decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements to govern risk and for effective arrangements to manage risk
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority
- reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption
- promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.

The influence that an effective audit committee can have in these areas is set out in Figure 1.

Figure 1: The influential audit committee



CIPFA’s view is that audit committee functions can be most effectively delivered by a dedicated audit committee. Such a committee provides a key resource to support the implementation of good governance standards. It is possible for the functions of an audit committee to be undertaken by other committees, but a dedicated resource is likely to be more knowledgeable and effective, with more time to focus on these important issues.

The core functions of an audit committee

The core functions of audit committees should reflect both standard practice for audit committees across all sectors and the specific legislative and professional standards requirements for local authorities.

This chapter identifies the core areas of business for an audit committee and explains why they are important. The way the audit committee works must align with legislation and recommended guidance for some of these areas. This guidance is consistent with the requirements and key references are identified. *Guiding the audit committee* provides further details where required, together with links to additional resources.

The Position Statement sets out the core functions of the audit committee as follows.

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good 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.

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.

Establishing appropriate and effective arrangements for audit and assurance

- 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 the 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 providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

The Position Statement sets out the core functions of the audit committee. Essentially, the responsibilities of the committee fall into three broad areas:

- 1 Supporting the establishment and maintenance of good governance, risk management and control arrangements.
- 2 Supporting accountability and public reporting, in particular the financial statements and the annual governance statement, and other statements that accompany the financial statements.
- 3 Supporting the establishment and maintenance of good arrangements for internal audit and external audit.

It's important to understand each area, and each area complements and supports the others. To be effective, the audit committee will need to operate across all areas and not just focus on one or two aspects.

The remainder of this section explains each of these areas in more detail. *Guiding the audit committee* provides more details on legislation, standards and supporting resources.

MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

Good governance

Local authorities should actively apply the framework of good governance (**Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016)) ('the Framework') and the seven principles of good governance. The audit committee plays an important role in supporting the Framework, not least with its approval of the annual governance statement (AGS), which should align with the Framework. CIPFA recommends that authorities should have a local code of governance to clearly explain how their arrangements are consistent with the principles of good governance. Where there isn't a local code, this information will be available through several sources. Whether or not there is a code, the committee should be able to understand what the authority's arrangements for governance are.

To provide a meaningful review of the AGS, audit committee members should be able to draw on their knowledge of the governance arrangements and on assurances they have received during the year. The audit committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted).
- Ensure that a framework of assurance underpins the AGS (see **Assurance and audit arrangements** for more details on assurance planning).
- Over the course of the year, receive reports and assurances over the application of the governance arrangements in practice.
- Review the governance arrangements being put in place for major developments, such as the establishment of a collaborative arrangement or trading company.
- Monitor implementation of action plans or recommendations to improve governance arrangements.
- Consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

Given its role in overseeing the local code of governance and the AGS, the audit committee can promote the implementation of good governance across the authority to make things better in the future, not just review what happened in the past. For example, the committee may make recommendations for action to senior management or refer matters to other committees. The limits to the decision-making powers of audit committees are considered in more depth in **Independence and accountability**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one mechanism an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses to avoid the necessity of government intervention.

Further details on the AGS and the committee's role in reviewing it are included later in **Accountability and public reporting**.

Ethical framework

Public sector entities are accountable for not only how much they spend but also how they use the resources they have been entrusted with. This is at the heart of Principle A of the governance framework:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, authorities have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire authority can show the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements for achieving this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The authority will have specific arrangements in place to oversee and operate standards, such as a standards committee, and the audit committee will not duplicate its responsibilities. Instead, its role is to oversee the arrangements that are in place to establish and maintain ethical standards and to obtain assurance over them. This supports the AGS.

Assurance over ethics will come from internal audit or from other sources of assurance, particularly for the annual review underpinning the AGS.

Risk management

Assurance over risk management will be a key element underpinning the AGS. The audit committee also needs a good understanding of the level of assurance the risk management arrangements provide when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

The role of the audit committee in relation to risk management covers three major areas.

- 1** Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the ownership of and accountability for risks. Specifically, this includes:
 - overseeing the authority's risk management policy and strategy and their implementation in practice
 - overseeing the integration of risk management into the governance and decision-making processes of the organisation
 - ensuring that the AGS is an adequate reflection of the risk environment.
- 2** Keeping up to date with the risk profile and the effectiveness of risk management actions by:
 - reviewing arrangements to co-ordinate and lead risk management (an example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency across the organisation)
 - reviewing the risk profile and keeping up to date with significant areas of strategic risks, major operational risks or major project risks and seeking assurance that these are managed effectively and owned appropriately (the committee should avoid duplication of risk monitoring and scrutiny undertaken by other committees)
 - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
 - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- 3** Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
 - overseeing any evaluation or assessment of the body's arrangements, such as a risk maturity assessment or risk benchmarking
 - reviewing evaluation, assurance and audit reports on risk management and monitoring progress on improvement plans.

Acting as a risk committee

Local government bodies do not usually establish a dedicated committee with responsibility for risk management. Instead, committees such as policy and resources, cabinet or scrutiny are likely to play a role in the oversight of individual risks and the adequacy of the risk response. The leadership team, including the executive member body, will take the lead in establishing the risk appetite of the authority. The audit committee should understand the roles played by other committees to avoid duplication and confusion with its own role.

Where other member bodies do not actively review key risks, the audit committee could take on additional functions involving more in-depth reviews of risks. In doing so, the committee should be mindful of when it is acting as a risk committee rather than just as an audit committee.

These functions could include:

- regular reviews of risk registers, particularly strategic risks, and significant operational risks to consider their adequacy and effectiveness in capturing and assessing risks
- risk challenge to evaluate whether planned mitigations are appropriate and effective, making recommendations to the responsible risk owner where appropriate
- identifying dependencies or links between risks and considering if the planned mitigations recognise this
- considering if risks have been escalated appropriately and in a timely manner
- supporting the leadership team in their review of risk appetite, though the final decision should remain with the leadership team.

The audit committee's terms of reference should make it clear whether risk committee roles are included.

Internal controls

The leadership team and the service managers within the authority are responsible for putting in place appropriate internal control arrangements. The aims of internal controls are to:

- manage risks
- allow agreed policies and processes to be put into practice.

In doing these two things, an effective 'internal control framework' will make it more likely that the authority's objectives will be achieved. The internal control framework is a way of describing the complete set of controls that management have put in place.

Controls may take different forms according to the risks that they are intended to manage and their purpose. Some examples of controls include the following:

- Access controls within an IT system determine who has access to that application and the available functions and data (a preventative control).
- Procurement rules, guidance and relevant training may be used to ensure that procurement decisions are within the law and achieve best value (a directive control).
- An exception report identifies outlier transactions in a process for review and approval by management (a detective control).
- Procedures to ensure that a copy of data is kept secure and away from the primary system to allow for recovery (a corrective control).

The control framework will include many corporate arrangements such as an authority's financial regulations, contract standing orders and human resources policies, as well as service-specific controls embedded within a range of policy documents, guidance notes, training manuals and instructions. Some authorities use a structured framework to classify their control frameworks. Some controls are fundamental to a system; often, they are described as 'key controls'.

The effectiveness of the internal control framework should be considered as part of the annual review on governance. Where there are significant control failures, or an overall weakness in the framework, then it should be considered for disclosure in the AGS. CIPFA's **Financial Management Code** (FM Code) (2019) provides a set of principles covering the operation of financial management throughout the authority to help ensure that internal financial controls operate effectively. Assurance over the level of compliance with the FM Code should be considered as part of the annual review on governance.

The head of internal audit's annual opinion (see [Internal audit](#)) will provide an annual opinion covering the framework of internal control alongside that of risk management and governance. This too will inform the AGS. Reports from internal audit and external audit will provide assurance on the adequacy of specific controls.

Historically, internal audit and the audit committee were expected to focus most on financial controls, but today the focus of both will encompass a much broader set of controls.

While a range of internal controls are essential, the audit committee should be conscious that too many controls could result in greater inefficiency or ineffectiveness in an operation. Controls may also become outdated or otherwise no longer fit for purpose. Introducing new controls may incur additional costs or other resources. The committee should strive to ensure that the authority has an appropriate level of internal control linked to the authority's attitude to risk.

Value for money and best value arrangements

Making best use of resources is a key aim for all local authorities and is part of the governance framework. One of the behaviours and actions that underpins Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available". Making best use of resources is an essential enabler to achieving the goals and objectives that the authority has set for itself.

Like other aspects of the committee's responsibilities, the primary focus is on the authority's arrangements for ensuring value for money rather than reviewing the actual performance achieved. This means seeking assurance that the authority has put in place the right mechanisms and is actively pursuing better value for money.

When planning work in relation to value-for-money arrangements, the audit committee should be mindful of what other committees may do. There is a potential overlap with the work of the scrutiny function, so care will be needed to avoid duplication. For example, a scrutiny committee may receive performance reports that show performance against a dashboard of indicators or may benchmark performance against other bodies.

Using this information, the scrutiny committee will challenge whether the authority is on track to achieve its performance targets and meet its objectives. They will highlight areas where value for money may be an issue. The audit committee will first focus on the overall arrangements that are being put in place to achieve value for money. They will receive assurances, from internal audit or from other sources of assurance, on how effectively those arrangements work in practice. As a result of the work of the audit committee, areas of concern about value for money may be identified and recommendations for further action or investigation made.

The audit committee will see references to value for money as part of other areas within its terms of reference. For example:

- Internal audit reports may highlight a value-for-money risk as part of a wider assurance review. It may feature in the head of internal audit's annual opinion.
- The AGS should include reference to how effectively the value-for-money aspect of governance is operating in practice. A value-for-money concern could be included as a recommendation for action if it were significant.
- Output from the risk management arrangements may highlight risks to value for money.

One major area where the audit committee will receive assurance on the adequacy and effectiveness of value-for-money arrangements is from the authority's external auditors. Across the UK, the different audit arrangements have resulted in differences in how value for money and best value are considered by the auditors. Further details of audit outcomes are set out in *Guiding the audit committee*.

Countering fraud and corruption

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. If money is misdirected or assets lost to fraud, it means that limited budgets are less able to meet service demands and fulfil the authority's objectives. When any authority experiences a significant fraud or case of corruption, it damages public perception of that authority and undermines public trust. Effective counter fraud and anti-corruption arrangements also relate to the ethical standards that the public expects members and officers to uphold.

The audit committee should have oversight of the authority's arrangements for managing the risks from fraud and corruption, providing assurance that they are fit for purpose. The arrangements should extend beyond having the facility to investigate an allegation or other evidence of fraud. It should include a much broader strategy and understanding of the risks. Guidance on establishing such arrangements is available to authorities in the [CIPFA Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014).

Oversight of counter fraud plans and availability of resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community
- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the overall performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses
- consideration of assurance provided by internal audit.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported in the AGS using the counter fraud code. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice.

Arrangements for partnerships, collaborations and subsidiaries

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises. Authorities may also be the accountable body for local enterprise partnerships (LEPs). Increasingly, authorities have subsidiary arrangements such as commercial trading companies.

Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is important, as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined.

The audit committee's role should be to consider assurances on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively. The committee should satisfy itself that the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance. The committee may also want to know what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and that standards of probity are maintained.

For subsidiary arrangements such as the establishment of a trading company, the audit committee will also need to receive assurances that the governance, risk and control arrangements of the authority's oversight of the company are robust.

Where an authority is developing new partnership or collaboration arrangements, the audit committee may wish to receive assurance over governance matters at the project stage. When reviewing the proposed structure, the committee should consider whether the authority has the necessary expertise, advice and training in place to take on new governance roles.

It is also important that the committee clarifies its own responsibilities in relation to the governance arrangements of the new service delivery organisation. Will they act as the audit committee for the new structure, for instance?

The audit committee should consider assurances that underpin the AGS to make sure that partnerships are covered. Where a partner organisation (such as a shared service entity) does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body to support the CFO.

ACCOUNTABILITY AND PUBLIC REPORTING

Public bodies must operate transparently, and being accountable to the public and stakeholder groups is a fundamental aspect of governance arrangements. The audit committee plays a key role in supporting the body's accountability for the use of public money and for the way it is governed. While other public reports are also available, the annual financial reports and the annual governance statements are important accountability statements that are mandated by legislation and guided by professional standards. These accountability statements are the responsibility of those charged with governance, but the audit committee will play a key role in reviewing the arrangements that underpin them and reviewing the statements themselves.

Financial reporting

Local government bodies are required to produce their statutory statements of accounts in accordance with professional accounting standards to ensure a consistent approach and appropriate treatment. This provides confidence to the user in the financial results. The accounting standards are determined by CIPFA/LASAAC and are set out in the **Code of Practice on Local Authority Accounting in the United Kingdom**, updated annually. These standards must incorporate both International Financial Reporting Standards (IFRS) and any adaptations or interpretations necessary for the local government context and local government legislation. A particularly important part of this is the legislative framework that changes what is charged to a revenue account under accounting standards (IFRS) to mitigate or manage the impact of those standards on council taxpayers. As a result, the accounts have an extra layer of complexity that an organisation such as a limited company would not have.

The primary users of financial statements are the recipients of the local services provided and their representatives, together with the providers of the resources required to deliver those

services. Local authority members and Members of Parliament are primary users of local authority financial statements in their capacity as representatives of the interests of service recipients and resource providers.

CIPFA's [Guide to Local Government Finance](#) (2019) sets out details of accounting concepts and principles that underpin the financial reports. The key financial statements are as follows:

Key statements in annual accounts	
Comprehensive Income and Expenditure Statement	This is where all the income and expenditure of the authority is recorded in line with accounting rules. This statement is similar to the one you would find in a private company.
Movement in Reserves Statement	This statement shows the impact of the financial year on the authority's reserves. It also includes all the income and expenditure that is recognised under accounting rules but then removed from the accounts by legislation to give the amount of expenditure that has been funded by the local taxpayer.
Balance Sheet	This statement summarises an authority's financial position at each year-end and reports the assets, liabilities and reserves of the authority. Some of the reserves are specific to authorities, such as the pensions reserve and the capital adjustment account, and exist to allow accounting entries required by legislation. This statement is similar to the one you would find in a private company.
Cash Flow Statement	This summarises the cash flows that have been made into and out of the authority's bank account during the financial year. This statement is similar to the one you would find in a private company.

Some authorities will need to include specific statements to account for their activities – for example, the Housing Revenue Account (HRA) or collection fund – and councils in Scotland are required to hold trading accounts (some councils in the rest of the UK may hold these voluntarily). Administering authorities of the Local Government Pension Scheme will also need to produce pension accounts for their fund.

Authorities are required to include a narrative report in the accounts (management commentary in Scotland). This should provide information on the authority, its main objectives and strategies, the principal risks that it faces and how it has used its resources to achieve its desired outcomes in line with its objectives and strategies. For a non-expert reader, this report will help to explain the statements and help demonstrate the extent to which the objectives of the authority have been achieved.

The role of the audit committee is to review the financial statements prior to approval. The statements are the responsibility of all those charged with governance – the full member body – but the audit committee is delegated the responsibility of a detailed review. Some authorities fully delegate responsibility to the audit committee by including final approval of the accounts in the committee's terms of reference, but CIPFA has always set out the committee's role to be one of review rather than decision making. In England and Wales, co-opted independent members cannot vote to approve the accounts under Section 13 of the [Local Government and Housing Act 1989](#) (see [Membership and effectiveness of the audit committee](#)).

Accounts preparation

The preparation of the statutory statements of accounts is the responsibility of the CFO. The deadline for the publication of the statements is set out in regulations by each of the UK governments. Recently, achieving these deadlines has been adversely impacted by the COVID-19 pandemic and delays in the completion of audits. Monitoring the status of both completion of the statements and liaison with the auditor before publication will be important for the audit

committee. The audit committee will want assurance that the finance team can deliver a set of financial statements of appropriate quality in accordance with the statutory deadlines. Factors they will wish the finance team to highlight to them include:

- significant changes in accounting policies and their implications
- significant judgements made by the authority on material transactions
- changes to the operational basis of the authority – for example, the establishment of a trading company that will need to be consolidated into the accounts
- capacity and capability within the finance function to meet quality standards and deadlines
- whether there have been previous problems with the quality of the financial statements – for example, issues and recommendations from the previous year’s audit
- issues arising from any internal assurance or internal audit reviews and actions taken
- any changes to the external audit requirements that could have implications for the preparation of the statements – for example, the drive to improve audit quality has included increased professional scepticism.

Reviewing the statutory statements of accounts

The complexity and length of the financial statements can be daunting for audit committee members, especially if this is an area where they do not have prior experience. CIPFA has resources that will provide more detailed guidance on the statements and underlying concepts, and specific training is also recommended.

Key areas that the committee should focus on in their review are as follows:

- The narrative report, ensuring that the messages are consistent with the financial statements. The committee should also consider the implications of the issues and challenges identified and consistency with other risk information provided.
- What steps have been taken to make the narrative report readable and understandable to a non-expert and whether steps have been taken to make the accounts accessible. CIPFA’s **Streamlining the Accounts** (2019) includes a section on the presentation and layout of the accounts.
- Reviewing the completeness of the information reported and asking about the steps taken to ensure that the disclosures are complete.
- Identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years.
- Monitoring trends and reviewing for consistency against financial performance observed over the course of the year.
- Reviewing the suitability of accounting policies and treatments and any changes to them – for example, asking the CFO to highlight to the committee where accounting treatment is open to different approaches and explaining why the method used has been chosen.
- Seeking explanations for changes in accounting policies and treatments – for example, where there has been a change in the accounting standards.
- Reviewing major judgemental areas – for example, provisions or reserves.

Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority’s statements that audit committee members may find particularly helpful.

A current topic for discussion is whether further steps could be taken to make the financial statements more understandable for the public. A recommendation of the Redmond Review was that a standardised statement of service information and costs should be prepared and presented alongside the statutory accounts. This recommendation is still under discussion and review, and the introduction of such a statement would be a development of interest to the audit committee. The audit committee will be interested in any steps taken to improve transparency and accountability by ensuring that the key messages are accessible to users.

Annual governance statement

The committee's role in supporting the principles of good governance and the local code of governance was outlined in the section on supporting good governance, risk management and internal control. The AGS is the key annual public report that requires the authority to evaluate the effectiveness of its governance arrangements.

While the committee will see other agenda items that describe the governance arrangements that have been established – notably updates to the local code of governance – the AGS is all about evaluation. It is an assessment of how good those arrangements are in practice, leading to an opinion on whether they are fit for purpose. Where there are areas for improvement, these should be identified and an appropriate action plan established.

The audit committee should play a key role in reviewing the AGS prior to its final approval. It is typical for the AGS to be provided in draft, usually at the same time the financial statements are prepared. The timetable for final publication follows the regulations of the relevant UK national government.

Key aspects that the audit committee should consider when reviewing the AGS include:

- whether the statement is user friendly for a lay reader
- whether the statement focuses on evaluation, leading to a clear opinion of whether arrangements are fit for purpose and meet the principles of good governance
- whether the AGS is an accurate representation of arrangements, consistent with other information known to the committee (committee members should be able to recognise their own authority's strengths and weaknesses)
- whether it includes appropriate disclosures on conformance with specified codes and standards and is consistent with current CIPFA guidance
- whether the AGS is supported by an appropriate action plan to implement the required improvements and if this is robust.

Although the AGS publication follows the same timetable as the financial statements, it can also be published as a separate accountability report. This would help raise its prominence and value to local stakeholders, providing improved transparency.

ASSURANCE AND AUDIT ARRANGEMENTS

Assurance frameworks and assurance planning

The term 'assurance framework' is used to describe the various means through which the authority's leaders, managers and decision makers can trust that the policies and procedures they have approved are being implemented in practice and operating as intended. Putting in place this framework is the responsibility of the leadership team.

For the audit committee member, reviewing assurances on the operation of governance, risk management and control arrangements is a core part of their role. The committee should also be concerned to know that an adequate assurance framework exists to inform the leadership team.

The audit committee may see references to the Three Lines Model of assurance developed by the Institute of Internal Auditors (IIA). More details of the model are contained in *Guiding the audit committee*. Briefly, the Three Lines Model identifies three different types of assurance:

- Management assurance – embedded in line management arrangements.
- Oversight and compliance assurance – review and monitoring functions.
- Independent assurance (internal audit).

Occasionally, there might be reference to the ‘fourth line’, referring to assurance that comes from outside the authority such as from external auditors or inspectorates.

Some authorities set out their assurance arrangements in a map or diagram. Typically, these outline key areas of the assurances needed and identify the assurance providers.

Whether or not there is a formal assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should seek to ensure that assurance is planned and delivered, with the following objectives in mind:

- Clarity on what assurance is required.
- Clear allocation of responsibility for providing assurance.
- Avoiding duplication, bearing in mind the differing objectives of assurance activities.
- Improving the efficiency and cost effectiveness of assurance.
- Obtaining assurance of appropriate rigour and independence across a range of assurance providers.

Each authority has core activities that are central to its effective operation, and the audit committee should consider what assurance it receives on these, whether through the annual governance review, internal audit or management assurance. Core arrangements would include financial management and counter fraud, but other key areas include information governance, information security, procurement, ethical governance, human resources and health and safety.

In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the authority, and it should therefore be proportional to the risk.

Supporting and making best use of audit

Supporting the authority’s auditors, both internal audit and external audit, is an important dimension to the committee’s work. Helping to make best use of the process of audit and audit outputs will contribute to the committee’s overall purpose. This section explains the committee’s interactions with both internal and external audit and the role of the committee in supporting effective arrangements.

External audit

Within an authority, the full council – all elected councillors – are characterised as “those charged with governance”. In practice, the exercise of some governance responsibilities is delegated to specific committees. This is of particular importance in relation to external audit, as external auditors are required by auditing standards to report to “those charged with governance”. While

the audit committee is the representative body for much of the interface with the external auditors, it is important to remember that all councillors have a governance responsibility, and it is important that they are familiar with key messages from the authority's external auditors.

The audit committee will have several interactions with the external auditors each year following a regular cycle of planning and reporting. There are also roles for the committee in supporting the independence of the auditors, the effectiveness of the external audit process and the impact of their work. The following sections provide more support for the critical interactions between the auditor and the committee. External audit is subject to stringent professional standards and some of these are highlighted in *Guiding the audit committee*. Committee members should recognise that these standards do require auditors to operate in a certain way.

Appointment

In some other sectors, the audit committee plays a lead role in the appointment of the external auditor. In local government, one of the principles of public audit is that appointment should be independent of the organisation. In local government bodies in Wales, Scotland and Northern Ireland, the national audit bodies are responsible for the delivery of local audit. In England, the **Local Audit and Accountability Act 2014** changed the appointment and delivery model for local government bodies, introducing a more direct role for the authority.

In all authorities, the audit committee's role in appointment includes expressing an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, Public Sector Audit Appointments (PSAA) appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process and provide advice to the authority on the final selection. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Monitoring the external audit process

The audit committee's role in relation to the external audit process has three principal aspects:

- 1 To provide assurance that the external auditor team maintains independence following its appointment.
- 2 To receive and consider the work of external audit.
- 3 To support the quality and effectiveness of the external audit process.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. These disclosures should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. Usually, this disclosure is included in the audit plan and when reporting. The audit committee should use these opportunities to discuss their assessment of threats to independence with the external auditor and any safeguards.

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA, the auditor panel (in England), or from audit quality reviews by the Financial Reporting Council (FRC) or the Institute of Chartered Accountants in England and Wales (ICAEW). Regarding non-audit services, audit committees should monitor the approval of non-audit work and, in England, consider the oversight of either PSAA or the auditor panel as appropriate.

Receiving and considering the work of external audit

The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit makes recommendations, the audit committee should discuss the action to be taken with managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit report.

While the Code of Audit Practice for each nation will specify exact outputs, the reports from the external auditors are likely to include the following:

- A plan – including approach, risks, team, timetables and outputs.
- Interim reports – reporting on progress, new developments and interim conclusions.
- An opinion on the financial statements and the outcome from the audit. The auditor will also identify any material errors and recommendations.
- Best value or value-for-money arrangements reports – the format of these vary according to the Code of Audit Practice the auditor is working to.
- An annual report.

In England, the Redmond Review recommended that the auditor's annual report should be submitted to full council by the external auditor. CIPFA's recommended approach is that the report should first be submitted to the audit committee for discussion and then submitted to full council by the auditors, accompanied by the response recommended by the audit committee to any significant issues raised in the report. This will support greater transparency with the public and help all elected members understand the outcome of the audit. It should also help to raise the profile of the audit committee among other elected members.

CIPFA also recommends that this approach is adopted by authorities in the rest of the UK unless other arrangements exist to achieve the same level of transparency and strengthened governance.

Auditors may also report by exception. If they identify an area of concern, then the auditors may investigate and may make a recommendation for improvement or a public report. Any such action should be taken very seriously by the audit committee.

Supporting quality and effectiveness

If the audit committee member has no prior experience of audit committee work or external audit, then reviewing the quality of external audit can be a challenging aspect of the work and one where additional training may be required. It is an important aspect of the work of the committee, as it sets expectations for the auditor for the timely delivery of a high-quality audit. It should also support better engagement and interaction between auditor, committee and management. Overall, active interest from the committee will support better outcomes in terms of confidence in the audit opinion, usability of audit output and better understanding of the audit process.

Guiding the audit committee signposts resources on audit quality that can be of use to audit committees.

Reports from inspectorates or other regulatory bodies

In addition to audit reports, the authority may be inspected where it has particular service responsibilities. For example, social care services are inspected by the Care Quality Commission (CQC), education and skills services are inspected by the Office for Standards in Education, Children's Services and Skills (Ofsted), and a fire and rescue authority will be inspected by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Other regulatory bodies, such as the Information Commissioner's Office (ICO), may also review and inspect arrangements.

Where inspectorates are focused on operational matters, the committee's role may be limited, but all external assessments and recommendations provide assurance on the robustness of governance, risk and controls within the authority. It is therefore important that the committee is aware of the overall conclusions. Where issues are highlighted by inspections within the remit of the committee, it may play a more active role – for example, reviewing the implementation of an improvement plan. The committee will also want to consider how the work of these assurance providers are taken into account as part of external audit or internal audit.

Internal audit

The authority's internal audit service, whether an in-house team or provided through a shared service or outsourced arrangement, is an essential partner for the audit committee. It is a major source of assurance, providing coverage across many areas that the audit committee will want to know about. The committee also plays an important role in the support for and oversight of the internal audit arrangements, helping to hold it to account. This role is in part determined by the professional standards that the internal auditors must adhere to.

The specific roles of the audit committee in relation to internal audit are to:

- 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.

The activities that underpin these three objectives are below.

Oversee independence, objectivity, performance and professionalism

The Public Sector Internal Audit Standards (PSIAS) set out functional reporting arrangements for internal audit to ensure its organisational independence. These are requirements of the professional standards, so there is an expectation that the audit committee should provide support. Each authority will have an internal audit charter, which will set out reporting relationships for internal audit, and the audit committee terms of reference will need to include those elements that relate to it. The charter is likely to set out the audit committee's responsibility to:

- review or approve the following:
 - the internal audit charter
 - the risk-based internal audit plan
 - the internal audit budget and resource plan
- receive confirmation of the organisational independence of the internal audit activity
- consider the appointment and removal of the head of internal audit (referred to in the PSIAS as 'chief audit executive') or the award of a contract for internal audit services

- make enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations on internal audit
- approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the head of internal audit has been asked to undertake any additional roles/responsibilities outside of internal auditing
- receive the head of internal audit's annual report, which includes:
 - the annual opinion on the overall adequacy and effectiveness of governance, risk management and control
 - a summary of the work on which internal audit has based the opinion
 - a statement on conformance with the PSIAS and the Local Government Application Note (LGAN)
 - the results of the quality assurance and improvement programme (QAIP), including specific detail as required in the PSIAS
- discuss with the head of internal audit the form of the external assessment of internal audit and the qualifications and independence of the assessor
- receive the report on the external assessment of internal audit (at least once every five years), including its overall conclusion and any recommendations (the committee should monitor the implementation of the improvement plan).

The head of internal audit, also known as the chief audit executive, must have unfettered access to the chair of the audit committee. In addition, the chair of the audit committee may serve as sponsor for the external assessment, which forms part of the QAIP, at least once every five years.

Support effective arrangements for internal audit

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. It should help ensure that the authority's internal audit is effective, which will mean that the audit committee is better supported, with access to the assurance it needs. Effective internal audit also supports better governance and control arrangements, which are aligned to the audit committee's overall purpose.

Defining the conditions for effective internal audit is not straightforward – different authorities may feel they have effective arrangements using very different service models, for example. However, there are some essential conditions that internal audit needs to be effective:

- A service that operates in accordance with PSIAS.
- A service with access to sufficient and appropriate capacity and capability.
- Leadership from the head of internal audit.
- Good engagement with the committee and management.
- An organisational culture that actively promotes and understands the role of internal audit.

While the designated head of internal audit can be expected to be responsible for internal audit activity, the audit committee plays an important role in supporting the organisation's attitude to and understanding of internal audit. The [CIPFA Statement on the Role of the Head of Internal Audit](#) (2019) sets out the conditions that can make internal audit effective. It is relevant for audit committee members as well as the head of internal audit. CIPFA's research report [Internal audit: untapped potential](#) (2022) also addresses whether public bodies are getting the most from internal audit.

The following activities form a core part of this:

- Receiving updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work.
- Receiving communications from the head of internal audit on internal audit's performance relative to its plan and other matters.
- Giving approval to internal audit for any significant additional consulting services not already included in the audit plan prior to internal audit accepting an engagement.
- Receiving reports on instances where the internal audit function does not conform to the PSIAS or LGAN and considering whether the non-conformance is sufficiently significant that it must be included in the AGS.
- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates.
- Receiving regular reports on the results of the QAIP, including the external assessment.

Promote the effective use of internal audit within the assurance framework

The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan considers the requirement to produce an annual internal audit opinion that can inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance
- receiving reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority
- escalating internal audit recommendations where further action is needed
- bearing in mind internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control when considering the AGS.

To get the best out of internal audit, the audit committee's understanding of and support for effective risk management and wider assurance arrangements is helpful.

Periodically, there are changes made to the PSIAS and LGAN, as well as more specific guidance to auditors. As a result, the committee may need to receive updates or briefings to ensure that they are aware of the latest requirements.

ENSURING THE FOCUS OF THE AUDIT COMMITTEE

The core functions of the audit committee are wide ranging. At some meetings, it will be inevitable that certain agenda items take priority to meet statutory deadlines. Audit committees should aim to ensure that within each year there is adequate coverage of each of the core functions. The assurance framework of the authority should be a useful resource to support this.

Independence and accountability covers agenda management and **Membership and effectiveness** of the audit committee covers the annual review of the effectiveness of the committee.

Possible wider functions of an audit committee

In addition to the core functions of the committee defined in the CIPFA Position Statement, there are some wider functions that it may be necessary or appropriate for the committee to take on. For audit committees of councils in Wales, there are some specific requirements set out in legislation.

REQUIREMENTS OF GOVERNANCE AND AUDIT COMMITTEES IN WALES

The **Local Government and Elections (Wales) Act 2021** built on requirements first set out in the **Local Government (Wales) Measure 2011**. The specified responsibilities not already covered by the core functions include:

- review and scrutiny of the authority's financial affairs
- review of the performance assessment arrangements of the authority
- review and assessment of the authority's ability to handle complaints effectively.

Scrutiny of financial affairs

Councils will have scrutiny committees that will undertake budget scrutiny and monitor financial performance. The responsibility of the audit committee is not to duplicate these functions, even though the legislation uses the phrase 'scrutinise'. The committee can ensure that they satisfy this requirement through their review of the financial statements, financial control arrangements and the work of internal audit and external audit.

Performance assessment arrangements

The 2021 Act introduced a duty on a principal council to keep its performance under review and to undertake a self-assessment of performance. The legislation requires the governance and audit committee to review the self-assessment report and the committee can make recommendations. The council is not required to adopt the committee's recommendations, but it should include an explanation of why it has not adopted the change.

There is also a requirement for a periodic panel performance assessment, and there is a similar requirement for the governance and audit committee to consider the panel report.

The Auditor General for Wales will have the power to undertake a special inspection if a council is thought to not be meeting the performance requirements. The governance and audit committee will receive the Auditor General's report and will consider the council's draft response to the report. If the committee makes recommendations on the draft response, the council is not required to adopt the change but must explain why it has not.

Developing the approach to the review

The governance and audit committee's focus is on the adequacy and suitability of arrangements rather than performance monitoring. In reviewing the annual self-assessment report the committee should maintain a similar overview. **Page 109**

CIPFA's suggested approach includes:

- consideration of whether the scope and approach to drawing up the self-assessment report is appropriate to fulfil the expectations of the legislation
- whether the council has established appropriate arrangements to obtain assurance over its performance (these arrangements should form part of the wider assurance framework)
- whether the council has carried out the appropriate consultation as part of the performance review
- considering if the panel appointed and the approach to the panel assessment fulfils the requirements of legislation
- whether the report's conclusions and recommendations are consistent with the review and assurances that underpin it
- consideration of whether there are any inconsistencies in information and assurances received by the committee in respect of its other work
- consideration of the recommendations and whether they will maintain and improve the arrangements for performance management going forward.

Arrangements for handling complaints

Assurance that there are effective arrangements to manage complaints could come within the remit of any audit committee. The specific requirement in Wales does mean that governance and audit committees will have increased focus in this area.

The focus will need to remain on the arrangements and not become a forum for the review of individual complaints. The committee will need to consider how they receive this assurance as part of the wider assurance framework. Complaints may be managed centrally or by individual department, but it should be possible for the committee to receive an overall assessment of the effectiveness of those arrangements. If complaints handling was seen as an area of risk, then it could be included in internal audit plans, but other sources of assurance should be routinely available.

TREASURY MANAGEMENT

Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance

Notes (CIPFA, 2021) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not specify this to be an audit committee role, and a local authority may nominate another committee instead. CIPFA is aware, however, that many authorities have nominated the audit committee to do this, and it is therefore appropriate to consider this activity as part of this guidance.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee.

Where the committee is undertaking scrutiny, this is likely to involve the following actions:

- Developing greater awareness and understanding of treasury matters among the committee members.
- Reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory.

- Receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause three of the Treasury Management Code, so the purpose of receiving regular reports should be clear.
- Reviewing the treasury risk profile and adequacy of treasury risk management processes.
- Reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny.

SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

When an authority is working to an improvement programme – perhaps following a best value review or inspection – there is likely to be an oversight role for the audit committee. The committee should receive assurances that actions are being implemented and recommendations addressed. There may be a dedicated board for the programme and the committee would not seek to duplicate their work. It will need to understand progress, as it will be an area of interest to the external auditors and will link to the action plan of the AGS. Where there are areas of improvement directly within the remit of the committee, it may play a more active role.

CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES

Occasionally, the audit committee may be requested to consider a review of a service, a proposed policy or other similar matters. Such requests could come from another committee in the organisation or from one of the statutory officers. In scoping the terms of reference for a review, the committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control. Examples of where it may be helpful for the audit committee to assist could include:

- reviewing whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area
- providing advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision.

In each case, the aim of the committee should be to make recommendations in line with its role as set out in the Position Statement: advocating the principles of good governance and helping to ensure that there are appropriate governance, risk, control and assurance arrangements in place.

Audit committee recommendations may support the advice or recommendations of the statutory officers but cannot override that advice.

Independence and accountability

The audit committee of an authority should be established in accordance with the principles set out in the 2022 Position Statement. These will ensure that the committee is independent from other committees in the authority and is accountable to those charged with governance.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

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, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- 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.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- 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
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- 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. The report should be available to the public.

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STRUCTURE AND INDEPENDENCE

Committee size

In other sectors, audit committees typically have fewer than six members. This is more difficult to achieve in a local authority. CIPFA's recommendation is that authorities should strive to have no more than eight members.

A committee of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

The use of substitutes on the committee is not recommended. The most effective membership will be based on knowledgeable and skilled members who are able to build on information gained at previous meetings. For example, when reviewing progress on the external audit, the committee member should have been sighted on the audit plan discussed at an earlier meeting.

Reporting lines

The audit committee is an advisory committee on behalf of those charged with governance. As a result, the committee should report to the full council, fire authority or other local government governing body. It is not appropriate to be a sub-committee of the cabinet, scrutiny or policy and resources committee.

Dedicated focus

To ensure a focus on the core functions, the committee should not be combined with other council committees such as scrutiny or standards or policy and resources. A combined committee can result in the distinction between the functions of the committees becoming blurred. The audit committee is non-political and should contain co-opted independent members. These arrangements are different to those of scrutiny. While a standards committee is also non-political and may contain lay members, its focus is different. An appropriate lay member for the audit committee may not be suitable for the work of the standards committee and vice versa. More details on the membership of the committee and role of the co-opted independent member are available in [Membership and effectiveness of the audit committee](#).

Decision-making powers and delegations

CIPFA does not recommend that the audit committee be delegated decision-making powers, as it is advisory.

The committee should be able to make recommendations to other bodies for decisions – for example, to a scrutiny committee for further scrutiny review, and to cabinet, policy and resources or full council for decision. The committee can also make recommendations to the leadership team and service managers – for example, in response to issues raised by auditors.

CIPFA is aware that some authorities do delegate decisions, such as the approval of the financial statements. While the audit committee should lead on the detailed review of the statements, ultimately the statements are the responsibility of all those charged with governance. This is the equivalent of shareholders approving the annual report and accounts of a company.

Rights of access to documents and requesting attendance at committee

As a committee of the authority, the audit committee can request information relevant to its role and agenda. It is good practice to agree a protocol to do this. Also there is clarity for all parties. Generally,

authorities operate on a principle of openness and transparency, so there should not be a difficulty in providing relevant information. At all times, the authority will need to have regard for maintaining confidentiality of personal or commercially sensitive data in accordance with guidance.

There may be times when it is not considered timely to provide the information requested – for example, where information is sensitive because of an investigation. In such cases, an adequate explanation should be given and an indication of when information might be available. The chair in particular needs to be briefed.

It is important for audit committee members to maintain an apolitical approach and a focus on overall arrangements rather than individual cases. The committee is not an investigative forum.

It will be helpful to request the attendance of officers at the committee to support discussion of a topic or to agree on the next steps. For example, if the committee wishes to review an internal audit report that identified significant areas for improvement, then it would be appropriate for the lead manager or director responsible for that service to attend the committee to discuss how they will address the weaknesses.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

Supporting the audit committee

As a full committee of the authority, the committee will receive secretariat support. It will also receive guidance on the proper conduct of the meeting under the authority's constitution and legislation.

The chair of the committee should take part in planning the agenda, helping to ensure that the committee addresses its terms of reference.

Frequency of meetings

CIPFA recommends the committee should meet a minimum of four times per year. The number and frequency of meetings should be determined by what is efficient and effective to cover the work of the committee.

Some agenda items need to be considered at certain times of the year, such as the financial statements and AGS. Other items will be more flexible and others determined by urgency. An annual meetings planner can help to schedule core business throughout the year to achieve adequate coverage and a balance of activity.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken in balancing the frequency of meetings against the need to give the committee's business sufficient focused attention, without lengthy and unproductive meetings. Equally, the audit committee should review whether including each item on its agenda results in added value and whether some time-consuming aspects of audit committee business could be more effectively addressed elsewhere. In making these judgements, the audit committee should operate at a resolutely strategic level. Take care to avoid straying into matters of operational detail that service managers should resolve. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

Transparency

Audit committees will normally meet in public, and agendas and minutes will be published. On occasion, there will be agenda items that meet the criteria to be heard in private. The chair should receive advice when a 'part 2' report is scheduled. The rationale for this should be stated.

Some authorities provide facilities for public questions at the start of a meeting. This supports openness and transparency but requires committee support to ensure questions are relevant for the scope of the committee.

Meetings and interaction outside scheduled meetings

The committee may meet informally as required to fulfil other requirements – for example, to take part in training or briefing or conduct a self-assessment.

It is typical for political group meetings to take place before a policy committee meeting; however, the apolitical nature of the audit committee should make such meetings unnecessary.

It is likely that some information will be shared with committee members outside scheduled meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

Private meetings with the external auditor and head of internal audit

It is standard practice for the external auditors and head of internal audit to have direct access to the audit committee. This helps to reinforce the independence of the auditors, helping them to maintain their professional standards. It also reinforces the independence of the audit committee. A private meeting provides a safe space for discussions and questions. Even if the auditor has no concerns, the meeting provides additional assurance of that.

Suggested questions to ask at a meeting include the following:

- Are you free to determine the scope of internal audit without interference?
- Do you have the access to senior management that you need?
- Do you have any concerns about governance arrangements that you are not comfortable sharing in front of management or in public?
- Are there any emerging governance risks that the committee should be alert to?

The meeting could also be used to test out a question on the auditor, perhaps when the audit committee member is not sure if it is an appropriate question to ask. The meeting thus provides a safe space for committee members and enables the member to ask with confidence in the open meeting. However, it is important that a private meeting is not used as a substitute for formal committee meetings, as this would undermine openness and transparency. Like all aspects of the committee's work, a private meeting should be non-political.

As a minimum, there should be a facility for a private meeting once a year, but they should be made available on request. The committee can meet separately with external audit and the head of internal audit, but a joint meeting could also be an option. To support transparency, the chair should report that a private meeting has taken place at the next audit committee meeting and summarise the topics discussed.

If governance concerns are raised with the audit committee in a private meeting, the chair of the audit committee should agree appropriate steps with the auditor. This would normally include follow-up discussions with one or more of the statutory officers.

KEY RELATIONSHIPS

To be effective, an audit committee will need to engage with a wide range of officers. Representatives of finance and internal audit will attend regularly and often are a source of support to the committee, but other senior officers would normally be expected to attend. While it is for each audit committee to determine who attends its meetings, the following examples show the wide range of officers who can add value to audit committee meetings:

- The chief executive and corporate directors for the AGS and other governance-related issues.
- The monitoring officer for the AGS and ethical governance issues.
- The risk management officer for discussions around risk management.
- The head of counter fraud for agenda items on fraud risks and counter fraud activity.
- Service senior managers for audit, risk or governance discussions on their service areas.
- Scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Interactions with the head of internal audit will need to take account of the professional standards (PSIAS), so that the correct oversight and reporting can be demonstrated.

ACCOUNTABILITY

To those charged with governance

The audit committee should be held to account regularly by those charged with governance – full council or the equivalent body in another authority. Accountability should cover:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control arrangements within the authority.

The audit committee annual report

The committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact. This is a key output of the committee. The report should be publicly available, supporting the authority's accountability to wider stakeholders, including the public.

Suggested content for the report is set out below.

Alignment of the committee to recommended practice

- The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:
 - The size of the committee.
 - Structure and composition, including the number of independent members.
 - Reporting line and independence from other committees.
 - Whether its terms of reference include all the core functions of the committee.
- Results of the committee's annual evaluation of its effectiveness and assurance over key indicators should be reported. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.
- The report should summarise how it has fulfilled its terms of reference and the key issues escalated to the leadership team or other committees during the year.
- The report should summarise the development work that will support the committee members, eg training.

The annual report should be timed to support the annual review of governance and preparation of the AGS. This enables the committee to take stock of the assurances it has received and the extent to which its own performance has contributed to governance arrangements.

The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the influence of the committee is likely to grow. **CIPFA has produced a set of frequently asked questions about the work of the committee** that helps communicate its role and the value it brings.

Supporting accountability to the public and stakeholders

The committee has a key role in reviewing the accountability reports of the authority and in helping the authority to discharge its responsibilities. Committee meetings will normally be held in public, except for exempt items, so this also contributes to the accountability of the authority to the public and stakeholders. The audit committee's own annual report will also support accountability to external stakeholders.

A wider group of stakeholders such as partner organisations may have an interest in the committee's work, although there is no direct accountability relationship between them. Holding open meetings and publishing agendas and minutes will support wider communication and transparency.

Supporting internal accountabilities

Through a review of internal and external audit reports, risk management information and other key strategies, the audit committee will hold to account those responsible for implementing recommendations and action plans. In addition, by overseeing the evaluation and improvement of governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority works well.

The audit committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly.

Membership and effectiveness of the audit committee

Choosing elected members for the committee and appointing additional co-opted independent members is an important step in ensuring the committee can carry out its work effectively. This section examines the characteristics needed by members and practical issues. It also considers the importance of evaluating the effectiveness of the committee.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Impact

As a non-executive body, 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.

The committee should evaluate its impact and identify areas for improvement.

CIPFA Position Statement 2022

COMMITTEE MEMBERSHIP

Elected representatives and political balance

Elected members of local authorities are part of the body charged with governance. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members with experience in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

Ideally, the selection of elected members to the audit committee will take account of aptitude and experience. In practice, most authorities have appointed members according to rules on political balance, even though the committee should be non-political. As long as the committee remains an advisory body and not decision making, then full council can waive the political balance requirement. Potentially, this could increase flexibility in the selection of suitable members.

Separation from executive roles

The leader of the cabinet, administration, chair of the policy and resources committee or the elected mayor must not be a member of the audit committee. Care should also be taken where councillors in senior policy-making roles are considered for membership. Where an authority has a cabinet system of governance, including a member of cabinet on the committee is discouraged. If the council has a policy and resources committee, members of this committee should also not sit on the audit committee. In addition, chairs of other policy committees should not be members. This will allow members of the audit committee greater independence in their role and assist in a non-political approach.

If an executive member is included, other compensating arrangements should be made to ensure independence – for example, where there is a majority of independent members or an independent chair of the committee. An executive member should not chair the audit committee.

CIPFA recommends that a period of two years should elapse before a councillor who previously held a senior policy role joins the audit committee.

An overlap with other committee roles such as scrutiny or standards is not necessarily a problem. It can add value by bringing knowledge of activity in these areas into the committee. Those who are members of other committees should take care to not blur their roles.

It is important that there is engagement between those deciding policy matters and the audit committee. This will support audit committee members in staying up to date and help policy makers understand recommendations made by the committee. Examples of engagement could include the members of the executive attending the committee to brief them on the actions they are taking, or the chair of the audit committee attending cabinet or policy and resources to explain audit committee recommendations.

Including co-opted independent members (also known as lay members)

A co-opted independent or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence.

Inclusion of lay members is a legislative requirement for authorities in Wales and for combined authorities in England.

Where there is no requirement to, CIPFA recommends the committee includes two co-opted independent members.

The reasons for CIPFA's recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and investing in the committee.

While including co-opted members can bring real value to the committee, care is needed to ensure that the arrangement works well, both for the co-opted member and for the other committee members. It is essential that the co-opted member receives an adequate induction and ongoing support to provide organisational context and to build working relationships.

The role of the co-opted independent member

The role description for a co-opted member of the committee will be the same as for an elected representative who is a committee member. The only substantial difference will be where the committee has been delegated decision-making responsibilities – although such delegations are not advised by CIPFA – a co-opted member cannot vote on council policy, so will not be able to take part in the decision, though they can, of course, contribute to the discussions prior to the formal decision. The minutes of the meeting should distinguish between a delegated committee decision and a recommendation from the committee to another council body. The latter is part of the role of an advisory committee and the co-opted member should be able to take part fully.

Guiding the audit committee contains additional resources to support the planning for and recruitment of independent members.

Remuneration

It is usual practice to provide some form of payment to the lay committee members and to pay expenses for attending meetings. The allowance recognises the value and time contributed by the member. If an independent member is appointed as the committee chair, an additional sum would be appropriate. Elected members of the committee will be paid allowances and expenses in accordance with the authority's agreed arrangements.

Appointment of the chair

In Wales, a lay member will be recruited specifically to the position of chair, and in other parts of the UK, some authorities have decided on a co-opted independent member for the role. This allows the authority to specify the requirements of the chair during recruitment. In other authorities, the appointment of the committee chair will be decided according to the constitution of the authority. In all cases, it is recommended that the characteristics of an effective chair are considered. These include:

- an ability to plan the work of the committee over the year and beyond
- meeting management skills

- an ability to bring an objective, apolitical attitude and help ensure the apolitical nature of the committee
- core knowledge and skills required of audit committee members
- a clear focus on the role of the committee and ambition to lead the committee in line with good governance principles
- a focus on improvement and securing agreement on actions.

The tenure of the audit committee chair remains a matter for the authority. When making this decision, it should be recognised that a period of continuity can be helpful, particularly for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective.

Knowledge and experience

There is a range of knowledge and experience that audit committee members can bring to the committee that will enable it to perform effectively. No one committee member would be expected to be a specialist in all areas, but there are some core areas of knowledge that committee members will need to acquire.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can guide members on their training needs and support the evaluation of the overall knowledge and skills of the committee. It can also be used when recruiting independent members. It distinguishes between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee.

The audit committee should review risks, controls and assurances that cover the entire operation of the authority, so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience – for example, in accountancy, audit, governance and risk management – will add value to the committee.

Training and development

Audit committees should have access to support to guide them in their roles, help them to understand the key agenda items, and to keep them informed of new developments. *Guiding the audit committee* includes a suggested training and support programme.

New co-opted members may have technical knowledge and experience, but they will still need to understand the local government context with which they may not be familiar. Support should also be provided to help integrate them into the committee and familiarise them with the council's structure and processes.

Audit committee members should review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.

DEVELOPING EFFECTIVENESS

An audit committee's effectiveness should be judged by the contribution it makes to and beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with knowledgeable and experienced membership, are

essential requirements for delivering effectiveness. The CIPFA Position Statement recommends the committee's annual report should include the results of a performance assessment.

Assessing the effectiveness of the committee should consider the following:

- An assessment of whether the committee is operating in accordance with the practices recommended in this guidance and complies with legislation (where appropriate).
- How the committee has fulfilled its terms of reference, including the core functions of the committee.
- The operation of the committee, including the support and training provided and how members have developed their knowledge and experience.
- The committee's effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
- Feedback from those interacting with the committee.

Feedback to committee members

It is normal practice in other sectors for the chair of the audit committee to provide feedback to individual members. In the political environment of an authority, this is more difficult to do. Consideration should be given to facilitating general feedback as part of a wider committee self-assessment. Suggested areas for discussion include:

- attendance
- participation in discussions and questioning
- any training needs
- suggestions for how the committee could develop.

Appendices to support evaluation

CIPFA has developed some improvement tools for the committee to use to inform its evaluation. These are available in Appendices E and F.

The audit committee should report on its effectiveness in its annual report, and the annual report should be timed to support the AGS. More information on the annual report is available in [**Independence and accountability**](#).

Problem solving

Where the committee is experiencing difficulties, the improvement tools may help to identify those areas that need change. For a newly constituted committee, or one with several new members, it can take time to build up effective operations. This is one reason why a comprehensive programme of training and support is needed.

Other difficulties can arise if there is a poor understanding of the role and purpose of the committee among others or if there is insufficient engagement.

Appendix D includes a summary of the difficulties that audit committees sometimes experience and suggestions for addressing them.

Sector and devolved government guidance

PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<u>Cities and Local Government Devolution Act 2016.</u> <u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u>	<u>Local Government (Wales) Measure 2011</u> as amended by the <u>Local Government (Democracy) (Wales) Act 2013.</u> <u>Local Government and Elections (Wales) Act 2021.</u>	<u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specified functions of the audit committee	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
Responsibilities of the audit committee in relation to external audit	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u>
Local authorities in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u>
Local authorities in Scotland	
Relevant government guidance	<u>Local Authority Accounts (Scotland) Regulations 2014</u>
Local authorities in Northern Ireland	
Relevant government guidance	<u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u>
Police in England	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u> (see also the statutory guidance <u>Financial Management Code of Practice for the Police Forces of England and Wales</u> (FMCP) (Home Office, 2018))
Police in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> (see also the <u>FMCP</u>)

Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.

Suggested terms of reference – local authority

INTRODUCTION

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] 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 there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

Suggested terms of reference – police

INTRODUCTION

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable 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 there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report.
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles as outlined in <u>Delivering Good Governance in Local Government: Framework</u> (CIPFA/Solace, 2016). The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance. 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the assurances it is to receive to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance. The committee will receive audit reports and information on risks relating to governance.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> • The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. • The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. • The committee will also receive the annual report, including an opinion and information on conformance with professional standards. • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. • The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.
Financial management and financial reporting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA <u>Financial Management Code</u> (FM Code) and the level of compliance with it. • Knowledge of how the organisation meets the requirements of the role of the CFO as required by <u>The Role of the Chief Financial Officer in Local Government</u> (CIPFA, 2016) and <u>The Role of CFOs in Policing</u> (2021). • An overview of the principal financial risks the authority faces. 	<ul style="list-style-type: none"> • Reviewing the financial statements prior to publication, asking questions. • Receiving the external audit report and opinion on the financial audit. • Reviewing both external and internal audit recommendations relating to financial management and controls. • The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<ul style="list-style-type: none"> • The audit committee will meet with the external auditor regularly and receive their reports and opinions. • Monitoring external audit recommendations and maximising the benefit from the audit process. • The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> • Understanding of the principles of risk management, including how it supports good governance and decision making. • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> • In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. • Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. • The committee should also review reports and action plans to develop the application of risk management practice.
Counter fraud	<ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014). • Knowledge of the organisation's arrangements for tackling fraud. 	<ul style="list-style-type: none"> • Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. • An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.
Values of good governance	<ul style="list-style-type: none"> • Knowledge of the Seven Principles of Public Life. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). • Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> • The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. • Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> • <u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> – regulatory requirements – treasury risks – the organisation's treasury management strategy – the organisation's policies and procedures in relation to treasury management. 	<ul style="list-style-type: none"> • Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

See also **Treasure your assets** (Centre for Governance and Scrutiny, 2017).

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
Objectivity	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members.	<ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience. 	<ul style="list-style-type: none"> Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.
Audit committee members do not feel confident in their knowledge of particular areas.	<ul style="list-style-type: none"> Lack of training and support. 	<ul style="list-style-type: none"> Enhanced level of support and training to members.
Independent members lack knowledge of the organisation and lack connections with key managers.	<ul style="list-style-type: none"> Poor induction. Limited opportunities to engage with the organisation outside of formal meetings. 	<ul style="list-style-type: none"> Improve induction. Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.	<ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair. Committee members are unsure about their role. Poor support from the committee secretary. 	<ul style="list-style-type: none"> Training and support. Develop a mentoring/coaching programme. Chair seeks feedback from meeting participants. Consider skills and experience in the selection of the chair. Provide training and guidance to committee members on their role. Improve committee support.
The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.	<ul style="list-style-type: none"> Agenda management fails to prioritise key areas. The chair does not intervene to keep the focus at an appropriate level. 	<ul style="list-style-type: none"> Review the process of agenda development. Review the terms of reference and provide training. The chair seeks feedback from meeting participants. Provide the chair with committee management training.

Areas of difficulty	Possible causes	Possible improvement options
The committee lacks focus, and members struggle to gain an overall understanding of their remit.	<ul style="list-style-type: none"> • Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters. • The committee is too large or lacks continuity because of regular attendance by substitutes. • Infrequent attendance by senior officers. 	<ul style="list-style-type: none"> • Training and emphasis on the non-political and strategic focus of the committee. • Reform of the committee structure to reduce membership and remove use of substitutes.
Senior officers do not understand the work of the committee and are not sighted on its output.	<ul style="list-style-type: none"> • The audit committee fails to engage with other committees in the authority. • Attendance is often limited to the CFO and the head of internal audit. 	<ul style="list-style-type: none"> • Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.
Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.	<ul style="list-style-type: none"> • Committee recommendations are not directed to appropriate member bodies. • Reporting arrangements are not effective. • Wider induction arrangements do not cover the audit committee. 	<ul style="list-style-type: none"> • Invite newly elected members to attend audit committee meetings. • Review reporting and accountability arrangements. • Prepare an annual report that sets out how the committee has fulfilled its responsibilities. • Share the CIPFA guidance (FAQs).
Recommendations made by the audit committee are not actioned.	<ul style="list-style-type: none"> • A poor relationship between the committee and the executive or senior officers. • The audit committee's recommendations are not adequately aligned to organisational objectives. 	<ul style="list-style-type: none"> • A senior officer provides internal facilitation to support improved relationships. • Improve knowledge and skills among audit committee members. • Ensure better engagement with appropriate managers or the executive at an earlier stage.
The audit committee fails to make recommendations or follow up on issues of concern.	<ul style="list-style-type: none"> • A weak or inexperienced chair. • Members are inexperienced or do not fully understand their role. • Poor briefing arrangements prior to meetings. • Committee reports fail to adequately identify the action required by the committee. 	<ul style="list-style-type: none"> • Provide guidance and support. • Improve briefing to the chair prior to the meeting. • Ensure reports contain clear recommendations.
The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.	<ul style="list-style-type: none"> • The terms of reference do not adequately scope the work of the committee. • Misunderstanding about the role of the committee. • Inadequate guidance from the committee secretary to the chair on its role. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance.

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Difficulty separating the work of the committee from the wider politics of authority. 	<ul style="list-style-type: none"> • Seek feedback from those interacting with the committee or external assessment. • Provide support or training for the chair. • Consider the role of independent members.
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Differing perceptions on the value of the committee • Personality clashes. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. • A senior officer provides internal facilitation to support improved relationships. • Seek an external assessment or facilitation. • Change the chair or membership if the constitution or opportunity arises.

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> Separation from executive 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

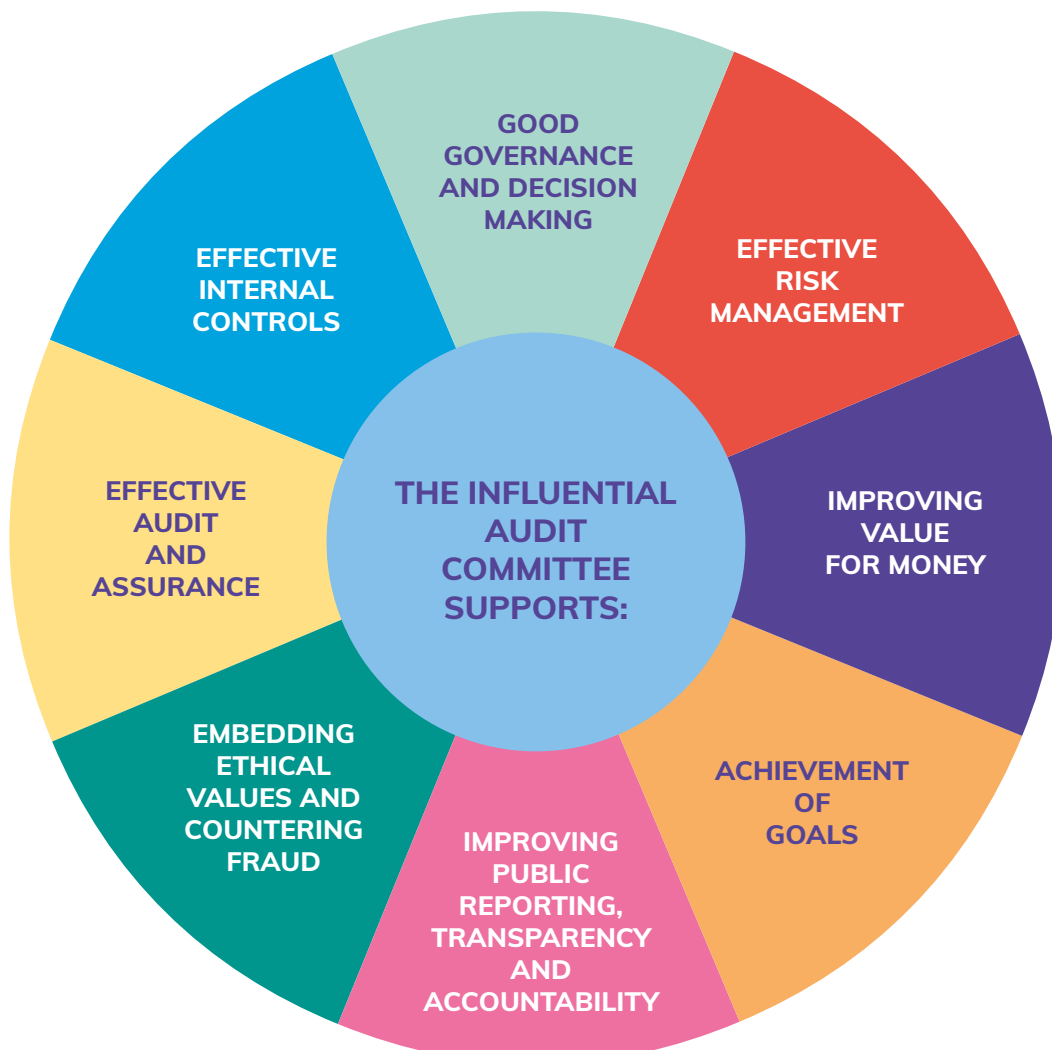
Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subtotal score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total score					
Maximum possible score					200**

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks. 	<ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan and any amendments are well explained. An audit of high quality is delivered. 	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. 	
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<ul style="list-style-type: none"> Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. 	<ul style="list-style-type: none"> The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. The authority has published its financial statements and AGS in accordance with statutory guidelines. The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600

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10/2022

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply				Fully complies
	Partially complies and extent of improvement needed*				
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
Functions of the committee																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

<p>13 Has the committee been established in accordance with the 2022 guidance as follows?</p> <ul style="list-style-type: none"> • Separation from executive • A size that is not unwieldy and avoids use of substitutes • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 					
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					
18 Is adequate secretariat and administrative support provided to the committee?					
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					
22 Are meetings effective with a good level of discussion and engagement from all the members?					
23 Has the committee maintained a non-political approach to discussions throughout?					

Good practice questions	Does not comply					Partially complies and extent of improvement needed				Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?										
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?										
26 Do audit committee recommendations have traction with those in leadership roles?										
27 Has the committee evaluated whether and how it is adding value to the organisation?										
28 Does the committee have an action plan to improve any areas of weakness?										
29 Has this assessment been undertaken collaboratively with the audit committee members?										
Subtotal score										
Total score										
Maximum possible score										200**

** 40 questions/sub-questions multiplied by five.

NAME:

DATE:

Audit Committee Members – Knowledge and Skills Framework (CIPFA Guidance)

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority.	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement, internal and external audit reports and risk registers.		
Audit committee role and functions	An understanding of the audit committee's role and place within the governance structures. Familiarity with	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference		

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
	<p>the committee's terms of reference and accountability arrangements.</p> <p>Knowledge of the purpose and role of the audit committee.</p>	<p>and to avoid overlapping the work of others.</p> <p>It will help the committee undertake a self-assessment and prepare its annual report.</p>		
Governance	<p>Knowledge of the seven principles as outlined in CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS).</p> <p>Knowledge of the local code of governance.</p>	<p>The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework.</p> <p>The committee will plan the assurance it is to receive to adequately support AGS.</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p> <p>The committee will receive audit reports and information on risks relating to governance.</p>		
Internal audit	<p>An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>Local Government Application</i></p>	<p>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</p>		

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
	<p><i>Note.</i></p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter.</p> <p>How the role of the head of internal audit is fulfilled.</p> <p>Details of the most recent external assessment and level of conformance with the standards.</p> <p>Internal audit's strategy, plan and most recent annual opinion.</p>	<p>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan.</p> <p>The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</p> <p>The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.</p>		
Financial management and accounting	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets</p>	<p>Reviewing the financial statements prior to publication, asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit.</p> <p>Reviewing both external and internal audit recommendations relating to financial</p>		

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
	<p>the requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i>.</p> <p>An overview of the principal financial risks the authority faces.</p>	<p>management and controls.</p> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>		
External audit	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide.</p> <p>Familiarity with the auditor's most recent plan and the opinion reports.</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The audit committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>		

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
Risk management	<p>Understanding of the principles of risk management, including how it supports good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation.</p> <p>Understanding of risk governance arrangements, including the role of members and of the audit committee.</p> <p>Knowledge of the current risk maturity of the organisation and any key areas of improvement.</p>	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements.</p> <p>Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts.</p> <p>Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice.</p>		
Counter-fraud	<p>An understanding of the main areas of fraud and corruption risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice.</p> <p>Knowledge of the organisation's</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</p> <p>An assessment of arrangements should support</p>		

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
	arrangements for tackling fraud.	the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.		
Values of good governance	<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>		
Treasury management	<p>The key knowledge areas identified are:</p> <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures 	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.		

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
	in relation to treasury management.			

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also contain more minor errors or control failures. The audit committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.		
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.		
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation,		

Skills	Key elements	How the audit committee member is able to apply the skill	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
		<p>including clearly defined actions and responsibilities.</p> <p>Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken.</p>		
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.		
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the Annual Governance Statement and the explanatory foreword to the accounts are well written for a non-expert audience.		
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or	The audit committee will receive assurance reports and review risk registers. There may be		

Skills	Key elements	How the audit committee member is able to apply the skill	Self-evaluation, examples, areas of strength and weakness	Overall assessment of skills/ knowledge 1 – 5 1 being poor and 5 excellent
	subjectivity.	differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.		
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.		

Thursday, 9 February 2023

Report of the / Monitoring Officer

Code of Conduct Review

Exempt Information

None.

Purpose

To update members on new Local Government Association Model (LGA) Code of Conduct in response to the recommendations made by the Office for Standards in Public Life so the Committee can consider whether to adopt it in full or in part, or to retain the Council's current Code of Conduct for Councillors ("Code of Conduct").

Recommendations

1. Members endorse the new LGA model code of conduct.
2. The Council's current Code of Conduct and Procedure for dealing with Code of Conduct complaints be reviewed by the Monitoring Officer with any necessary legal advice (where required). This may incorporate specific elements of the LGA Model Code.
3. Welcome a member workshop to capture members views prior to the final draft being presented to A&G.

Reason for recommendation

To ensure that the Council's Code of Conduct is and continues to be fit for purpose.

Executive Summary

Section 27(2) of the Localism Act 2011 requires local authority must adopt 'a code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity.'

Options Considered

N/A

Resource Implications

N/A

Legal/Risk Implications Background

Section 27 of the Localism Act 2011, requires each local authority has to adopt a Members' Code of Conduct

Equalities Implications

None Identified

Background Information

Members will recall a report from the Office for Standards in Public Life that made a number of recommendations in relation to the form and content of codes of conduct for member behaviour.

Partially in response to this report the Local Government Association commissioned a new model code of conduct document in December 2020, with guidance on the application of the Model Code due to be available in March 2021 however this was delayed until July 2021.

A link is provided to the model code and updated guidance below.

- [Local Government Association Model Councillor Code of Conduct 2020 | Local Government Association](#)
- [Guidance on Local Government Association Model Councillor Code of Conduct | Local Government Association](#)

In addition to the guidance and in response to the LGA's request for views (21 September 2021) on what training support would be helpful, the LGA developed (15 March 2022) further resource to support councils to deliver comprehensive and bespoke training to Councillors on the Member Code of Conduct.

At the request of the committee in June 2022, a briefing session was held for all members in August 2022. This briefing session provided members with an overview of differences between the current Code of Conduct and the new updated LGA Model Code of Conduct. A summary of the differences can be found in Appendix A.

The Council has a code of conduct in place and there is no legal requirement for this to be replaced or for the Council to adopt the new LGA Model, however it is acknowledged the current code of conduct procedure for dealing with complaints were put in place in 2014 and corporate guidelines are for polices to be reviewed to ensure they remain fit for purpose. There are some potential positives in the new updated LGA Code which can be added to the Council's Code

A review of the Procedure for Dealing with Code of Conduct Complaints to ensure it remains fit for purpose is proposed as part of the process and a member workshop is welcomed to capture members views and these fed into the reviewed code.

Report Author

Nicola Hesketh – Monitoring Officer

List of Background Papers

- [Agenda for Audit and Governance Committee on Wednesday, 8th June 2022, 6.00 pm: Tamworth Borough Council](#)
- [Agenda for Audit and Governance Committee on Thursday, 25th September 2014, 6.00 pm: Tamworth Borough Council](#)

Appendices

Appendix A

Summarised Difference	Current Code Members Code of Conduct 2014.pdf (tamworth.gov.uk)	New Model Code Local Government Association Model Councillor Code of Conduct 2020 Local Government Association
Introduction	No introduction in the current Code of Conduct	Joint statement and Introduction provided
Terminology	Referred to as members	The new code uses the term “councillors” not “members”
Principles of public life	Nolan Principles -	The new code retains the Nolan Principles (which are in the current code) but adds an additional set of “General Principles”.
When the code applies		The new Code makes it much clearer when the Code applies i.e. which activities of a councillor are covered by its provisions.
Outcomes/behaviours	The current code sets out a series of “outcomes” which the Principles seek to achieve and to which members should adhere	The current code does not describe the behaviours that are required to produce the outcomes. The new code approaches this in a different way and does set out detailed requirements for the behaviour of councillors. It is drafted in a very direct way
Declaration of Interests	The current code has two types of interest which require registration and/or declaration: - • Disclosable Pecuniary Interests	The new code has three types of interest: - • Disclosable Pecuniary Interests (DPI’s) • Other Registerable Interests • Non-registerable Interests

	<ul style="list-style-type: none"> • Voluntary registration and declaration of interests 	
Gifts and Hospitality	<p>Current Code refers to this code and Schedule 15 of the Constitution.</p> <p>Registration of gifts and hospitality in excess of £25</p>	<p>The New Code requires the registration of gifts and hospitality in excess of £50 with additional provisions, for example:</p> <p>I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept</p>

ROLLING AUDIT & GOVERNANCE TIMETABLE OF PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE

	Report	Committee Date	Report Of	Comments
1	Internal Audit Quarterly Update	9 February 2023	Audit Manager	
2	Risk Management Quarterly Update	9 February 2023	Assistant Director – Finance	
3	Audit Committee Effectiveness	9 February 2023	Audit Manager	
4	Future High Street Fund Risk Report	9 February 2023	Assistant Director, Growth & Regeneration	
5	Councillor Code of Conduct – following finalisation of LGA new Model Code	9 February 2023	Monitoring Officer	
1	Audit and Governance Committee update	22 March 2023	Grant Thornton	
2	Auditor’s Annual Report	22 March 2023	Grant Thornton	
3	Internal Audit Charter and Audit Plan	22 March 2023	Audit Manager	
4	Review of the Constitution and	22 March 2023	Monitoring Officer	<i>Annual review in March from 2023</i>

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	Report	Committee Date	Report Of	Comments
	Scheme of Delegation for Officers			onwards
5	Informing the Audit Risk Assessment	22 March 2023	Grant Thornton	<i>March or April (ideally March)</i>
6	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report	22 March 2023	Executive Director Finance	<i>March or April (ideally March)</i>
7	Final Accounts – Accounting Policies and Action Plan	22 March 2023	Assistant Director of Finance	<i>March or April (ideally March)</i>
8	Internal Audit Service – External Quality Assessment	22 March 2023	Audit Manager & External Quality Assessor	<i>Report on Internal Audit's compliance with Public Sector Internal Audit Standards</i>
	Private meeting of Internal and External Auditors and Committee members	March		
1	Audit & Governance Committee update	20 April 2023	Grant Thornton	
2.	Public Sector Internal Audit Standards/Quality Assurance and Improvement Programme	20 April 2023	Audit Manager	<i>Update following receipt of EQA Report from 22 March 2023 meeting</i>
3.	Annual Report of the Chair of Audit &	20 April 2023	Audit Manager /	

	Report	Committee Date	Report Of	Comments
	Governance Committee		Chair	
4	Review of Financial Guidance	20 April 2023	Assistant Director Finance	From 2023 onwards to be considered in April each year.
5	Councillor Code of Conduct	20 April 2023	Monitoring Officer	<i>Annual refresh</i>

2023/24 Year

1	Audit & Governance Committee update	[late] June 2023	Grant Thornton	
2	External Audit Plan	[late] June 2023	Grant Thornton	
3	Internal Audit Annual Report and Quarterly Update for 2022/23	[late] June 2023	Audit Manager	
4	Annual Governance Statement and Code of Corporate Governance	[late] June 2023	Chief Executive	
5	Risk Management Quarterly Update	[late] June 2023	Assistant Director, Finance	
6	Future High Street Fund Risk Report	[late June] 2023	Assistant Director, Growth &	

			Regeneration	
1	Audit & Governance Committee update	xx August 2023	Grant Thornton	
2	Risk Management Quarterly Update	xx August 2023	Assistant Director – Finance	
3	Internal Audit Quarterly Update	xx August 2023	Audit Manager	
Page	Private meeting of Internal and External Auditors and Committee members	xx August 2023		
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1	Audit Findings	Xx September 2023	Grant Thornton	
2	Management Representation Letter	XX September 2023	Grant Thornton	
3	Annual Statement of Accounts	Xx September 2023	Executive Director Finance	
4	Annual Treasury Outturn	xx September	Executive Director	<i>Could be moved to October if required</i>

		2023	Finance	
5	Regulation of Investigatory Powers Act (RIPA) Annual Report & Review of the RIPA Policy	Xx September 2023	Assistant Directors, Partnerships	Agreed that this be moved to September 2023.
6	Local Government Ombudsman's Annual Review and Report 2022/23	XX September 2023	Assistant Director – People	
1	Audit & Governance Committee update	XX October 2023	Grant Thornton	
2	Internal Audit Quarterly Update	XX October 2023	Audit Manager	
3	Counter Fraud Update	XX October 2023	Audit Manager	
4	Risk Management Quarterly Update	XX October 2023	Assistant Director – Finance	
5	Future High Street Fund Risk Report	XX October 2023	Assistant Director, Growth & Regeneration	
6	Modern Slavery and Human Trafficking Statement	XX October 2023	Assistant Director – Partnerships	<i>Check whether September or October meeting is preferred for 2023</i>

Note:
It is proposed that training on the role of the Audit Committee from the external auditors and training on

the role of internal audit to take place in early June outside of the Committee meeting as part of the annual Member Training programme.

The Portfolio Holder for Finance, Risk and Customer Services