
Report To: Audit Committee

Date: 25 April 2023

**Report By: Head of Legal, Democratic,
Digital and Customer Services**

Report No: AC/12/23/IS/APr

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Subject: CIPFA AUDIT COMMITTEE GUIDANCE – 2022 UPDATE

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Members of the results of the self-assessment exercise in relation to the updated CIPFA guidance on Audit Committees within Local Authorities and the improvement actions identified.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the results of the self-assessment exercise carried out by Audit Committee Members in relation to the updated guidance for Audit Committees and consider and approve the resulting improvement plan.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 CIPFA guidance for Audit Committees was updated in October 2022 in the publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2022 Edition"). This publication represents CIPFA's view of best practice for audit committees in local authorities throughout the United Kingdom. The 2022 version contains some appendices, including:

- Self-Assessment of Good Practice; and
- Evaluating the impact and effectiveness of the Audit Committee.

3.2 These appendices set out key areas for self-assessment and evaluation including Audit Committee Purpose and Governance; Functions of the Audit Committee; Membership and Support; and Effectiveness of the audit committee.

3.3 This CIPFA publication also includes a 2022 Position Statement on audit committees in local authorities which sets out roles and responsibilities and good practice principles for audit committees. In particular, CIPFA is clear that audit committees are a key component of an authority's governance framework, their purpose being to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Position Statement also sets out the core functions of an audit committee being as follows:

- Maintenance of governance, risk and control arrangements;
- Financial and governance reporting; and
- Establishing appropriate and effective arrangements for audit and assurance.

3.4 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements.

3.5 It is important that the Council's Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees in order to ensure that it can evidence its effectiveness as a scrutiny body and as a foundation for strong corporate governance.

3.6 The self-assessment exercise was issued for completion by Audit Committee members in March 2023.

4.0 PROPOSALS

4.1 The self-assessment exercise was completed by 8 out of 11 Members of the Audit Committee. The self-assessment confirmed that the Audit Committee is generally compliant with the guidance however some areas of improvement were identified as follows:

1. Develop an annual report from the Audit Committee to the Council which sets out compliance with the CIPFA Position Statement 2022; results of the annual evaluation; development work undertaken and planned improvements; and how the Audit Committee has fulfilled its terms of reference and the key issues escalated in the year.
2. Committee timetable to facilitate a private meeting of the Audit Committee with internal and external audit.
3. Consideration of lay/co-opted members to the Audit Committee.
4. Regular evaluation of knowledge, skills and training needs of the Chair and committee members and a programme of training put in place taking account of areas identified within the 2022 guidance.
5. Consider a stand-alone report on the Annual Governance Statement to assist Audit Committee members in their scrutiny of wider assurance arrangements.

- 4.2 It is recommended that Members note the results of the self-assessment exercise carried out by Audit Committee Members, and consider and approve the resulting improvement plan set out at appendix 1.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

5.2 Legal/Risk

The review of the updated guidance will ensure that the Audit Committee will maximise the opportunity for effective scrutiny and to fulfil its governance role.

5.3 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 The self-assessment exercise was circulated to Audit Committee Members for completion, Relevant Officers were asked to provide updates to the report as appropriate.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 CIPFA Guidance on Audit Committees 2022. Copies circulated to Audit Committee members.

Improvement Area	Improvement Action	Responsibility/Date
Audit Committee Purpose and Governance Effectiveness of the Committee	Develop an annual report from the Audit Committee to the Council which sets out compliance with the CIPFA Position Statement 2022; results of the annual evaluation; development work undertaken and planned improvements; and how the Audit Committee has fulfilled its terms of reference and the key issues escalated in the year. Develop a stand-alone report on the Council's wider governance and assurance arrangements as part of the annual review of the Annual Governance Statement for Audit Committee consideration each year. Review the Terms of Reference for the Audit Committee.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023 Head of Legal, Democratic, Digital and Customer Services 30 June 2023 Head of Legal, Democratic, Digital and Customer Services 31 October 2023
Functions of the Audit Committee	Review overall Committee timetable to facilitate a private meeting of the Audit Committee with internal and external audit during 2023/24 and beyond.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023
Membership and Support	A regular evaluation of knowledge, skills and training needs of the Chair and committee members will be undertaken and a programme of training put in place taking account of areas identified within the 2022 guidance.	Head of Legal, Democratic, Digital and Customer Services 30 June 2023
Membership and Support	Once the programme of training for audit committee members has been completed, an exercise to consider the addition of lay/co-opted members to the audit committee members will be undertaken.	Head of Legal, Democratic, Digital and Customer Services 30 June 2024