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

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

1 Audit committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
   - act as the principal non-executive, advisory function supporting those charged with governance
   - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
   - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
   - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
   - be directly accountable to the authority’s governing body or the PCC and chief constable.

4 The core functions of an audit committee are to:
   - be satisfied that the authority’s assurance 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
   - in relation to the authority’s internal audit functions:
     - 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

- consider the effectiveness of the authority’s risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
- monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority’s exposure to the risks of fraud and corruption
- consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.

5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
- working with local standards and ethics committees to support ethical values
- reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
- providing oversight of other public reports, such as the annual report.

6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
- a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities 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
  – an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- unbiased attitudes – treating auditors, the executive and management fairly
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 CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA’s publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018), available from [www.cipfa.org.uk/publications](http://www.cipfa.org.uk/publications)