

25 July 2018**Agenda Item: 11****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT AND SECTION 151 OFFICER****CIPFA GUIDANCE FOR LOCAL AUTHORITY AUDIT COMMITTEES****Purpose of the Report**

1. To consider guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) for the effective operation of audit committees in local authorities, and to assess developmental opportunities for this committee.

Information

2. CIPFA's publication, 'audit committees – Practical Guidance for Local Authorities and Police', has been updated for 2018. It represents CIPFA's position statement on audit committees, and it goes on to provide guidance around the following:
 - The purpose of an audit committee
 - The core functions of an audit committee
 - The arrangements for an audit committee's independence and accountability
 - Membership of an audit committee to ensure its effectiveness.
3. The guidance represents best practice for audit committees in local authorities throughout the UK, as well as for police audit committees in England and Wales. It recognises scenarios where audit committees have wider functions beyond the pure audit committee role, for example in relation to ethics as is the case with this Council's Governance & Ethics Committee.
4. An initial assessment of the guidance has been carried out by the Head of Internal Audit and discussed with the Chairman of the Governance & Ethics Committee in the course of their regular update meetings. The Head of Internal Audit's assessment is that the Governance & Ethics Committee is largely compliant with the guidance. The remit and activities of the Committee since its formation are addressing most of the aspects of governance in which the guidance recommends audit committees should be seeking assurance.
5. Nonetheless, the initial assessment has identified some opportunities for development, which the Chairman requested be brought to the Committee's attention for consideration. The most

significant of these are set out below, along with draft proposals for how these might be taken forward:

a) Annual Report

Best practice guidance: *‘An audit committee should 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.’*

Current practice: The Governance & Ethics Committee does not currently produce an annual report on its work to Full Council.

Proposed action: The CIPFA Guidance incorporates a template to self-assess against best practice (see Appendix 1). All Members of the Committee might be asked to complete this template to identify collective views on how well the Governance & Ethics Committee is delivering its audit committee role and to capture suggested areas for improvement. This could then be used as a basis for an annual report.

b) Knowledge and skills of Committee members

Best practice guidance: *‘Audit committee members should be willing to review their knowledge and skills, for example, as part of a self-assessment process or training needs analysis.’*

Current practice: There are no formal arrangements in place to capture Committee Members’ assessments of their training needs relative to their role on the Governance & Ethics Committee.

Proposed action: The CIPFA Guidance includes a knowledge and skills framework (see Appendix 2). Members should be encouraged to review this when completing the self-assessment template referred to in a) above, and make known any areas in which they feel training and development would be welcome.

c) Value for Money (VfM) assurance

Best practice guidance: *‘Assurance should focus on both the arrangements to ensure and the progress in achieving VfM. An authority should have in place arrangements to obtain assurance over its performance against VfM objectives and strategies. The role of the audit committee will need to be determined in the context of what other committees may be doing. For example, a scrutiny committee may oversee service reviews that consider performance against VfM objectives.’*

The role of the audit committee is most likely to focus on whether the authority’s overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the AGS. The Framework emphasises that the AGS should be focused on outcomes and VfM.’

Current practice: The guidance goes on to identify a specific role to consider the external auditors’ annual assessment of VfM. Whilst this is in place, the Governance & Ethics Committee does not receive structured and routine assurance on VfM as part of its annual programme.

Proposed action: Members are aware of the current assurance mapping pilot that is in progress and that this incorporates assurance around financial management.. The Committee is receiving a first update on progress with the pilot in a separate item on today's agenda. This sets out proposals for the Key Lines of Enquiry (KLOEs) for each of the aspects of governance included in the pilot. The financial management strand incorporates the following with regard to VFM:

Aspect of Governance	KLOEs to deliver assurance about controls	KLOEs to deliver assurance about outcomes
Financial Management	Value for Money <ul style="list-style-type: none"> ➤ Ongoing review of service provision in priority areas of service ➤ Use of benchmarking and other relevant comparisons to inform priority review areas ➤ Well researched options for change are routinely proposed 	Value for Money <ul style="list-style-type: none"> ➤ Value for Money is achieved ➤ The transformation programme is delivering change in priority areas of service

Consequently, it is proposed that this issue is kept under review pending the outcome of the assurance mapping process and any recommended actions for improved assurance over VFM.

- Coincidental with this report, the Head of Internal Audit has received an invitation from the Head of Assurance Lincolnshire for this Council to attend the next scheduled meeting of the Lincolnshire Audit Committee Forum. This is a networking group which enables the sharing of good practice, emerging governance and risk issues and 'hot topics' for public sector audit committees. It is designed to help and support the effectiveness of audit committees. The invitation is for the Chairman, Vice-Chairman and the Head of Internal Audit. At the last meeting in June 2018, Committee recommended that the Policy Committee approve a proposal for this Council's Internal Audit Team to enter into a collaboration partnership with Assurance Lincolnshire; the Policy Committee is due to consider this proposal at its meeting in July 2018.

Other Options Considered

- CIPFA guidance represents best practice for local authorities' audit committees. No other source of guidance has been considered.

Reason/s for Recommendation/s

- To identify opportunities to further develop the effectiveness with which the Governance & Ethics Committee delivers its audit committee function.

Statutory and Policy Implications

- This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human

rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required. The audit committee role is a key component of the Council's governance framework, therefore it should have a direct influence in ensuring effective arrangements for the above areas.

RECOMMENDATION/S

That Members approve:

- 1) The completion of the self-assessment template by each of the Committee's Members.
- 2) The development and implementation of an annual public report on the effectiveness of the Governance & Ethics Committee's discharge of its audit committee role.
- 3) Each Member of the Committee to consider the knowledge and skills framework and highlight targeted areas for training and development when returning the self-assessment template.
- 4) Reliance on the assurance mapping pilot to deliver proposals regarding assurances the Committee should receive about VFM.
- 5) Attendance of the Chairman, Vice-Chairman and Head of Internal Audit at the next meeting of the Lincolnshire Audit Forum in October 2018.

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For any enquiries about this report please contact:

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Constitutional Comments (SLB 12/7/18)

10. Governance and Ethics Committee is the appropriate body to consider the content of this report.

Financial Comments (SES 13/07/018)

11. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Full CIPFA publication: 'audit committees – Practical Guidance for Local Authorities and Police, 2018 Edition'

Electoral Division(s) and Member(s) Affected

- All