

Report Title	CIPFA Publication: Audit Committees: Practical Guidance for Local Authorities and Police
Portfolio Holder	Portfolio Holder for Policy, Reform and Resources
Summary of report	Report is for noting.
Is this report exempt?	No
Is this a Key Decision	No
Local Authorities affected	All
<u>Impact and implications of this report</u>	
Financial impact	No
Dispensation of decision sought and details of approval	
Supporting the Corporate Plan	<ul style="list-style-type: none"> ✓ A Fairer City Region ✓ A Stronger City Region ✓ A Cleaner City Region ✓ A Connected City Region ✓ A Vibrant City Region
<i>Tick which ones are appropriate</i>	
Climate Change Implications	No
Equality and Diversity implications	No
Social Value implications	No
Human Resources implications	No
Physical Assets implications	No
Information Technology implications	No
Legal implications	No
Privacy implications	No
Communication and consultation implications	No
Contact Officer(s)	Louise Outram - Chief Legal and Monitoring Officer
Appendices	No

Background Documents

No

LIVERPOOL CITY REGION COMBINED AUTHORITY

LCR Audit and Governance Committee

Wednesday 22 March 2023

Report of the Chief Legal and Monitoring Officer

CIPFA PUBLICATION: AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the members of the Audit and Governance Committee with an overview of the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees, and to outline the key areas for consideration and action in the future development of the effectiveness of the Committee.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee:

- (a) notes the report; and
- (b) agrees the suggested actions outlined in the report to be reported to and considered by the Combined Authority at its annual meeting in June.

3. BACKGROUND

3.1 Key Elements of the Guidance

- 3.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published *Audit Committees: Practical Guidance for Local Government and Police* in October 2022. This updates the previous guidance from 2018. Compliance with the guidance is not mandatory but is good practice.
- 3.1.2 The guidance consists of several components,
- Audit Committees Position Statement 2022
 - Guiding the Audit Committee
 - The Audit Committee Member in a Local Authority
 - Interactive Appendix – Self-Assessment of Good Practice
 - Evaluating the Impact and Effectiveness of the Committee
- 3.1.3 The main points for noting in the guidance are:
- The document stresses the unique role and crucial importance of an independent and effective audit committee function in supporting robust governance, risk management and internal control;

- Discussion of the value of effective Committee membership, including the useful role that can be played by independent members;
- The guidance presents a diagram of the various roles of an effective Audit Committee, and reflects these in an updated model Terms of Reference:
 - Maintenance of governance, risk, and control arrangements
 - Financial and governance reporting
 - Appropriate and effective arrangements for audit and assurance



- The importance of reviewing the Committee’s effectiveness and impact and reflecting this in the Annual Report and in the Committee’s commitment to continuous improvement. The Annual Report of the Committee should also include details of how the Committee has fulfilled its Terms of Reference during the year, and give details of the development work, including training, it has undertaken.

3.2 Suggested Actions

3.2.1 Consideration of the guidance gives rise to five suggested actions for developing the effectiveness of the Audit and Governance Committee. These actions, and the indicative timescales, are:

1. Undertake a comparison of the updated model Terms of Reference to the existing Committee Terms of Reference and suggest an appropriately updated version for implementation at the start of the 2023-24 municipal year.
2. Review the guidance’s proposals on independent membership of the Committee and consider whether recruitment of additional independent

members to the Committee would be of benefit, and if so, progressing this with a view to commencement at the start of the 2023-24 municipal year.

3. Continuing to deliver training to the Committee membership, including a briefing session for Committee members before each meeting, to give an opportunity to explore issues in more detail. This is a continuation of the work started in 2022-23.
4. Implementing an annual review of effectiveness with the Committee members and in particular the Chair from 2023-24, using the tools provided within the guidance.
5. Strengthening of the Annual Report of the Committee for 2023-24 to include the areas suggested by the guidance, and in particular the review of effectiveness work.

4. IMPACT AND IMPLICATIONS

4.1 Risks and Mitigation

- 4.1.1 The existence of an effective Audit Committee function is vital to supporting the effectiveness of organisational risk management, as well as internal and financial control and governance. The guidance outlined in this report, and the suggested action arising from this, will, once implemented, strengthen the role of the Committee in this regard.

5. CONCLUSION

- 5.1 This report has set out the updated CIPFA guidance on Audit Committees and has suggested the actions arising from the guidance with a view to strengthening the effectiveness of the Audit and Governance Committee.

LOUISE OUTRAM
Chief Legal and Monitoring Officer