



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held Virtually on **WEDNESDAY 23 SEPTEMBER 2020 AT 7.00 PM**

Susan Parsonage
Chief Executive

Published on 15 September 2020

This meeting may be filmed for inclusion on the Council's website.

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WOKINGHAM BOROUGH COUNCIL

Our Vision

A great place to live, learn, work and grow and a great place to do business

Enriching Lives

- Champion outstanding education and enable our children and young people to achieve their full potential, regardless of their background.
- Support our residents to lead happy, healthy lives and provide access to good leisure facilities to complement an active lifestyle.
- Engage and involve our communities through arts and culture and create a sense of identity which people feel part of.
- Support growth in our local economy and help to build business.

Safe, Strong, Communities

- Protect and safeguard our children, young and vulnerable people.
- Offer quality care and support, at the right time, to prevent the need for long term care.
- Nurture communities and help them to thrive.
- Ensure our borough and communities remain safe for all.

A Clean and Green Borough

- Do all we can to become carbon neutral and sustainable for the future.
- Protect our borough, keep it clean and enhance our green areas.
- Reduce our waste, improve biodiversity and increase recycling.
- Connect our parks and open spaces with green cycleways.

Right Homes, Right Places

- Offer quality, affordable, sustainable homes fit for the future.
- Build our fair share of housing with the right infrastructure to support and enable our borough to grow.
- Protect our unique places and preserve our natural environment.
- Help with your housing needs and support people to live independently in their own homes.

Keeping the Borough Moving

- Maintain and improve our roads, footpaths and cycleways.
- Tackle traffic congestion, minimise delays and disruptions.
- Enable safe and sustainable travel around the borough with good transport infrastructure.
- Promote healthy alternative travel options and support our partners to offer affordable, accessible public transport with good network links.

Changing the Way We Work for You

- Be relentlessly customer focussed.
- Work with our partners to provide efficient, effective, joined up services which are focussed around you.
- Communicate better with you, owning issues, updating on progress and responding appropriately as well as promoting what is happening in our Borough.
- Drive innovative digital ways of working that will connect our communities, businesses and customers to our services in a way that suits their needs.

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Bill Soane (Chairman)	Dianne King (Vice-Chairman)	Rachel Burgess
Maria Gee	Angus Ross	Daniel Sargeant
Imogen Shepherd-DuBey		

ITEM NO.	WARD	SUBJECT	PAGE NO.
14.		APOLOGIES To receive any apologies for absence	
15.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 29 July 2020.	5 - 14
16.		DECLARATION OF INTEREST To receive any declarations of interest	
17.		PUBLIC QUESTION TIME To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions	
18.		MEMBER QUESTION TIME To answer any member questions	
19.	None Specific	UPDATE ON THE PROGRESS OF THE YEAR-END AUDIT To receive an update on the progress of the year-end audit.	Verbal Report
20.	None Specific	CORPORATE RISK MANAGEMENT To receive a report on Corporate Risk Management.	15 - 40
21.	None Specific	RISK MANAGEMENT AUDIT 2020-21 To consider the Risk Management Audit 2020-21.	41 - 44

22.	None Specific	2020/21 ANNUAL AUDIT AND INVESTIGATION PLAN IN YEAR REVIEW To receive the 2020/21 Annual Audit and Investigation Plan In Year Review.	45 - 56
23.	None Specific	EFFECTIVENESS OF AUDIT COMMITTEE To receive an update on the effectiveness of the Audit Committee.	57 - 144
24.	None Specific	FORWARD PROGRAMME To receive the forward programme for the remainder of the municipal year.	145 - 146

Any other items which the Chairman decides are urgent

A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 29 JULY 2020 FROM 7.00 PM TO 9.15 PM**

Committee Members Present

Councillors: Bill Soane (Chairman), Dianne King (Vice-Chairman), Rachel Burgess, Maria Gee, Angus Ross, Daniel Sargeant and Imogen Shepherd-DuBey

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Justine Thorpe, Ernst & Young
Andrew Moulton, Assistant Director Governance
Stephen Murtagh, Internal Audit
Bob Watson, Head of Finance

1. APOLOGIES

There were no apologies for absence received.

2. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 3 June 2020 were confirmed as a correct record and will be signed by the Chairman at a future opportunity.

3. DECLARATION OF INTEREST

There were no declarations of interest submitted.

4. PUBLIC QUESTION TIME

There were no Public questions.

5. MEMBER QUESTION TIME

There were no Member questions.

6. ERNST & YOUNG AUDIT PROGRESS REPORT

The Committee received an update on the Ernst & Young audit.

During the discussion of this item, the following points were made:

- Helen Thompson advised Members that there was little to update on since the previous Committee meeting. The report considered by the Committee at its June meeting had highlighted the identified risks to this year's Financial Statements audit.
- Justine Thorpe indicated that the Government recognised the increased pressure on local government following the Covid 19 pandemic. As a result, the accounts production deadline was now 31 August. The accounts should be audited by the end of November.
- Ernst & Young were having regular meetings with senior members of the finance team regarding the progress of the Financial Statements. Draft Financial Statements were expected shortly with the audit beginning next week.
- Ernst & Young would complete the second part of its visit at the end of September in order to finish the audit results report. The Statement of Accounts and the Audit result report would be taken to the November Committee meeting.

- No further risks had been identified. Corroboration would be sought from the auditors of the pension funds that the indicated timescales for producing the assurance letter to Ernst & Young, would be met.
- Councillor Burgess asked how Ernst & Young would be forming its going concern opinion that year and what evidence it would be using. Helen Thompson indicated that this was an area of more focus this year. The management assessment of concern would be considered and conversations would be had with the Finance team as to the level of detail expected. There was a presumption of going concern. There was a possibility for audits such as Wokingham, which had components, that there would potentially be a material uncertainty over the financial viability of a sub. However, it was unlikely that the Council itself would be anything other than a going concern. Ernst & Young would review the level of disclosures in relation to going concern and post balance sheet events. Certain categories of council would have to go through a consultation process, to review for consistency with others.
- With regards to post balance sheet events, the current volatility of the rental market and the likelihood of the receipt of all rental income, Councillor Gee asked whether the values of commercial properties would be looked at in the audit. Helen Thompson stated that the investment properties were required to be revalued each year at fair value. Ernst & Young real estate colleagues would be involved in that element of the audit. Councillor Gee stated that she had been informed that properties that had been held for less than a year did not need to be revalued until March 2021. Helen Thompson explained that as the fair value requirement was of up to 31 March 2020, Ernst & Young would consider whether an appropriate exercise had been undertaken. Given the circumstances of the year, they would expect them all to be reviewed unless purchased very close to the issuing of the balance sheet.
- Councillor Shepherd-DuBey questioned whether the level of borrowing was as expected. Helen Thompson commented that this was perhaps a question more for Council officers; however, she could confirm that the level of borrowing may be considered as part of the value for money assessment on commercialisation and purchase of investment properties.

RESOLVED: That the update on the Ernst & Young audit be noted.

7. TREASURY MANAGEMENT OUTTURN 2019-20

The Committee received the Treasury Management Outturn 2019-20.

During the discussion of this item, the following points were made:

- During 2019-2020, the Council had adhered to all of its prudential indicators whilst minimising external debt and creating a significant revenue contribution with robust risk management arrangements.
- The Treasury Outturn position was a net £380,000 favourable against the projected budgets.
- Councillor Sargeant asked whether the Table on page 19 was still an estimate. The Head of Finance indicated that it was not and would be corrected.
- Councillor Sargeant commented that the report showed another good year of treasury management. He noted that £1.6million had been brought in through the property investment portfolio.
- Councillor Ross stated that it was interesting to note that the highest average rate of return percentage was from the investment properties.

- In response to a question from Councillor Gee regarding the 5.11% rate of return and investment properties, the Head of Finance indicated that the 5.11% return was on the two investment properties that the Council had run through its treasury management portfolio. These were located outside of the Borough. The Council was not allowed to borrow to fund these properties so treasury investment funds were used to buy these properties. The 5.11% was the gross figure coming in from incomes and the Council then charged a notional rate of interest against those properties to offset the financial impact on residents. The deduction made in terms of the notional rate was 2.75% for the debt financing charges. A minimum revenue provision of 0.667 was also charged. The asset repayment was backed by the value of the asset the Council had as it was classed for investment purposes. The Council was making minimum revenue provision for an anticipated movement in a prudent way should the asset value drop. Councillor Gee commented that the net return was 2.36% and the amount actually released to the revenue account was 1.695%. The Head of Finance emphasised that 2.75% was a notional rate which was likely set high to ensure that all the recovery costs were covered.
- Councillor Gee felt that Table 2, which showed the estimated debt levels, was misleading. The peak debt was not what could be anticipated in 2023, as more debts and projects would likely be taken on.
- Councillor Burgess commented that Table 2 was forwards looking and that she was surprised that there was little reference to the impact of Covid 19 within the report. She was interested to hear the extent the forecasts within Table 2 would have now changed because of the pandemic.
- The Head of Finance indicated that potentially £105million of capital expenditure would be deferred by 12 months due to the impact of the pandemic on the Council's cash flows. Not all the £105million would be funded by debt; some would be funded by developer contributions. Finance could only work to the Capital Programme as set out for the next 3 years. The debt would increase up to 2023 and would then start to be paid off through income receipts and capital receipts coming in and some of the regeneration assets.
- The Head of Finance emphasised that the debt taken out was affordable in terms of the Council's repayment profile and the value of assets held exceeded the level of debt.
- Councillor Gee referred to a saving of £380,000 on interest receipt on long-term balances. However, it also appeared to refer to working balances, which were not referenced within the report. The Head of Finance explained that the £380,000 was the net position around what the Council had in the budget to pay for debt financing and what the Council had in the budget around expected income receipts from interest on balances that had been invested.
- Councillor Gee questioned how working balances related to treasury management. The Head of Finance referred to the Treasury Investment Strategy. The Council had at any point in time, balances of over £100million coming in via precepts and business rates, which were paid out across the year.
- Councillor Shepherd-DuBey commented that external borrowing was £52million. She questioned why this was more than previous years. The Head of Finance indicated that the Council had approved a larger and more expansive capital programme for regeneration and investment.
- Councillor Shepherd-DuBey expressed concern around the property investment figure within the report and questioned what would happen if the Council lost a tenant. The Head of Finance clarified that the properties were the two investment properties outside of the Borough.

- The Head of Finance explained that the Property Investment Group managed a wider property investment portfolio. Councillor Shepherd-DuBey asked how the property investment process was monitored.
- Councillor Burgess questioned why there were so few investments with fund managers and how the Council could ensure that investments were invested ethically. The Head of Finance explained that the investments made with fund managers were mostly historic. The Council was not aware of the ethical status of the portfolios. Most local authority investments were for 12 to 24 months whereas fund managers tended to want to invest for longer. In addition, a local authority could not go bust whilst owing money to another local authority and this would be underwritten by central government.
- Councillor Burgess commented that the investment balance on p19 of the agenda referred to £158million and elsewhere in the report, £135million was referenced. The Head of Finance agreed to come back on this matter. Following the meeting, he clarified that the £135m referred to the average balance of investments held over the year and the £158m was the actual investment balance as at 31 March 2020.

RESOLVED: That

- 1) the report be recommended to Executive on 30th July 2020;
- 2) the managed repayment of debt over time which illustrates the increased borrowing required to fund key Council priorities which in turn generate income streams (to repay debt) and provides revenue funding for vital statutory services (see graph in table 2), be noted;
- 3) the asset value created through the Council's capital investments compared to the debt required to generate the asset value (see graph in table 2), be noted;
- 4) the capital investments made in the Council's priorities for its community, by category (see table 1), be noted;
- 5) the Treasury Management report in Appendix A, that shows that all approved indicators have been adhered to and that prudent and safe management has been adhered to, be noted.

8. CORPORATE RISK MANAGEMENT

Members considered a report on Corporate Risk Management.

During the discussion of this item, the following points were made:

- The Assistant Director Governance outlined the Committee's responsibilities around risk management as detailed in the Constitution. As it was the start of the municipal year, it was thought timely for Members to consider what training needs the Committee might have around risk management.
- Councillor King felt that more training on risk management would be helpful for Members particularly as times were now more complicated due to the Covid 19 pandemic.
- Councillor Gee questioned the cost of training and was informed that the training was usually provided internally.
- The Corporate Risk Register had been updated since it was last presented to the Committee in June. There had been presentational changes. Also each risk was

described more clearly, timelines had been added to mitigating actions and each risk was now linked to one of the seven Council priorities.

- Four new risks had been added covering Telephony (risk no.15), IT Infrastructure (risk no. 16), Public Sector Equality Duty (risk no. 17), and Pandemic response (risk no. 18). No risks had come off the register but it was likely that over time, more risks would be added and some removed.
- Councillor Burgess thanked officers for all the work that had gone in to the refreshed Corporate Risk Register. She went on to question why the pandemic risk had only been given a medium rating, and referred to the possibility of a second wave of Covid 19. The Assistant Director Governance referred to the mitigations in place including the Local Outbreak Plan. The Council's emergency response had been well tested.
- Councillor Burgess stated that it was good that carbon reduction targets had been included relating to the climate emergency. However, Full Council had now considered the Climate Emergency Action Plan and the plan still needed work. She questioned whether the risk should therefore have a higher rating. The Assistant Director Governance responded that the Risk Register had been published prior to the Plan's review by Council but feedback from the Council meeting would be taken into consideration.
- Councillor Sargeant felt that the climate emergency risk should be rated higher.
- Councillor Gee questioned whether the pandemic risk should be positioned elsewhere on the matrix. The Assistant Director Governance responded that there was an element of subjectivity in the assessment of the risks. The impact of the particular risk was not being underestimated. There was a lot of work being undertaken by Overview and Scrutiny regarding the Council's response to the Covid 19 pandemic and this learning would be built in.
- In response to a question from Councillor Gee, the Assistant Director Governance indicated that each risk tended to be considered in isolation but that making linkages between them could strengthen the overall register.
- Councillor Ross stated that he was pleased to see the inclusion of the Local Plan within the Corporate Risk Register. Councillor Burgess felt that whilst the rating for this risk was now correct the description could be clarified further.
- Councillor Shepherd-DuBey expressed concern around governance during the pandemic. She commented that governance was still not back to normal. The Council had not established a Covid scrutiny committee in the same way as some other councils had, and the public were not currently able to speak at Planning Committee meetings. The Assistant Director Governance responded that the Council had been quick to implement virtual council meetings. Whilst the March Council meeting had been postponed, the business of that meeting had now been transacted. Councillor Ross referred to meetings between the Group Leaders during this period. Councillor Burgess indicated that these had been outside of the democratic process and had been more for briefing purposes.
- Councillor Shepherd-Dubey questioned why telephony was a separate risk and not included within the IT infrastructure risk, and was informed that it was to ensure that it was not subsumed within the IT infrastructure risk. There were specific issues around the some of the telephony equipment at Shute End.
- Councillor Shepherd-Dubey asked who the Equalities Champions were. The Assistant Director Governance would provide a list.
- With regards to the Risk Management Policy and Guidance, Ernst & Young had identified that it had been some time since they had been reviewed, although the Assistant Director Governance noted that the last review by the Audit Committee was less than two years ago in September 2018. Changes related to the new

Community Strategy and Corporate Delivery Plan, a new paragraph on the impact of Covid-19, clarification on the role of Council risk facilitator, and emphasising links to the Local Code of Corporate Governance and the Annual Governance Statement.

- Councillor Ross asked who the policy and guidance was aimed at and suggested that there could be more around how the Executive Members challenged the relevant Directors on individual risks. The Assistant Director Governance agreed that the dialogue and challenge between the Executive Members and Directors needed to work well for effective scrutiny of the individual risks.

RESOLVED: That

- 1) the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR (Appendix A), be noted;
- 2) the updated Enterprise Risk Management policy and guidance (Appendix B) be approved and its onward submission to the Executive agreed;
- 3) what further training the Committee requires to discharge its responsibilities with regard to Risk Management, be considered.

9. 2019/20 INTERNAL AUDIT & INVESTIGATIONS ANNUAL REPORT

The Committee received the 2019/20 Internal Audit and Investigations Annual Report.

During the discussion of this item, the following points were made:

- During the 2019/20 year, there was one new Category 3 audit, for the audit of equalities. With regards to 2019/20 Public Sector Equality Duty, the audit had noted that the Council had made progress in this area with the more consistent application of Equalities Impact Assessment to inform decision-making and training for staff. However, there remained further work to undertake including updating the Equality Policy.
- The Council would be reviewing its equality objectives, which had been last considered in 2017. Scrutiny would also be looking at the issue of equalities.
- Since March, Internal Audit had been focused on Covid 19 work. Some staff had been redeployed to assist in the response to the pandemic and others had been supporting finance. The Internal Audit Plan for the year would be amended and presented to the Committee for review in September.
- In response to a question from Councillor Shepherd-DuBey, the Assistant Director Governance suggested that where any area in an audit had been identified as being less than satisfactory, he would bring either the key findings and recommendations of the audit to the Committee or circulate the audit report. Members welcomed this. Councillor Burgess welcomed further detail on the lower rated audits and asked that the equalities audit report be circulated to Members.
- Councillor Gee asked how many members of staff were in the Internal Audit team and if the Assistant Director Governance was satisfied that there was sufficient staff to undertake the revised scope of work. The Assistant Director Governance commented that there were 10 members of staff and that it was a shared service with Royal Borough Windsor and Maidenhead. Audit work was also undertaken on behalf of Bracknell and Rushmoor Councils. He was confident that the team would be able to discharge its duty.

- In response to a question from Councillor Gee regarding the Public Health audit, the Assistant Director Governance indicated that some follow up work had been due in March but that this had been curtailed because of the pandemic. Many of the issues identified had been addressed, but he would provide a further update at the November committee meeting.
- Councillor Burgess asked how actions against Very High and High concerns were checked. The Assistant Director Governance indicated that confirmation and evidence would be sought.

RESOLVED: That this report be received and noted as a source of independent assurance regarding the risk, control and governance environment across the Council, and that the outcomes from 2019-20 Internal Audit and Investigations work and the resultant 'Substantially Complete and Generally Effective' opinion to the Annual Governance Statement, be noted.

10. REVIEW OF THE COUNCIL'S ANTI-FRAUD AND ANTI-CORRUPTION POLICIES

The Committee received a report on the review of the Council's Anti Fraud and Anti Corruption Policies.

During the discussion of this item, the following points were made:

- Members were advised that it was good practice to review the Council's Anti Fraud and Anti Corruption policies, which were included in the Council's Constitution.
- The Assistant Director Governance advised that the changes themselves were fairly minor. He asked Members for their views on how the policies could be better publicised so that more staff and public were aware of the Council's stance.
- Councillor Burgess asked if there was a level of detail underneath the policies such as a fraud risk register or a money laundering risk register. She commented that it would be useful for Members to see where the Council was most at risk. With regards to the anti-fraud policies, Councillor Burgess commented that it would be helpful to have reference to more current trends such as cyber phishing emails.
- The Assistant Director Governance indicated that there were not underpinning risk registers but this could be looked at.
- CIPA produced anti-fraud guidance and self-assessment. This could be used to assess where the Council was concerning fraud risks. Councillor Burgess felt that this was a key element of Members' training.
- Councillor Burgess questioned whether consideration had been given to the production of a policy about the Criminal Finances Act 2017. The Assistant Director Governance agreed to look into the matter.
- Councillor Ross felt that the policies could be better publicised on the Council's website.

RESOLVED: That the proposed amendments to the Anti-Fraud and Anti-Corruption Policy, the Whistleblowing Policy, the Anti-Money Laundering Policy, Prosecutions and Sanctions Policy, Anti-Bribery Policy and the Regulation of Investigatory Powers Act (RIPA) policy be agreed and be recommended to Council via the Constitution Review Working Group.

11. LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered the Local Code of Corporate Governance.

During the discussion of this item, the following points were made:

- The current Local Code of Corporate Governance had been in place since June 2016.
- The revised Code had been updated in the format suggested following a review of good practice from other local authorities.
- The Code had been assessed to reflect the position of the Council particularly in the light of the new Community Vision and Corporate Delivery Plan.
- The Council's Local Code was consistent with the principles of the CIPFA/SOLACE Framework which set out best practice for local government corporate governance. The principles and sub-principles expressed in the Framework had been considered, and continued to be relevant.
- The Code would be taken to Full Council in September for approval.

RESOLVED: That

- 1) the revised Local Code of Corporate Governance (Appendix A of the report) be reviewed;
- 2) the revised Local Code of Corporate Governance be recommended to Council.

12. ANNUAL GOVERNANCE STATEMENT 2019/20

The Committee received the Annual Governance Statement.

During the discussion of this item, the following points were made:

- The Assistant Director Governance indicated that the Annual Governance Statement was in draft form and it was an opportunity for the Audit Committee to feed into the process. The AGS formed part of the Financial Statements which the Committee would consider later in the year.
- The Assistant Director Governance highlighted the five areas identified in the previous year's Annual Governance Statement as requiring improvement, and their current status. He went on to highlight the improvement plan for the future year.
- Councillor Burgess questioned what the issue was around the use of market supplements and honorariums. The Assistant Director Governance responded that it was ensuring that the policies were consistently and fairly applied across the Council. This would be addressed within the new People's Strategy.
- Councillor Burgess was of the view that the results of the internal audit of equalities should be referenced as it had been rated as a 3.
- Councillor Gee commented that the revenue capital monitoring reports were only considered by the Executive. She felt that there should be scrutiny of this matter prior to its consideration by the Executive and for this area to be strengthened. The Assistant Director Governance indicated that overview and scrutiny had previously scrutinised the budget proposals and would be doing so again. The Audit Committee received assurance via the Internal Audit team on the Council's major financial systems, and also via external audit with regards to the Financial Statements. Councillor Gee commented that the Audit Committee looked at treasury management and that she was of the view that the Committee should also consider capital monitoring. It was suggested that this proposal be considered by the Constitution Review Working Group.
- Councillor Gee stated that if a decision was taken to do something then the Public Sector Equality Duty had to be taken into account, but not if a decision was taken not to do something. The Assistant Director Governance agreed to refer the matter

to the Equalities Champions and the scrutiny committee that would be looking at the matter of equalities.

- In response to a question from Councillor Ross, the Assistant Director Governance explained that the Council would be compliant in relation to home to school transport appeal arrangements once a new appeal process was fully implemented.
- Councillor Shepherd-DuBey stated that there needed to be a mechanism for escalating issues relating to the Public Sector Equality duty.
- Councillor Shepherd-DuBey was of the view that the property investment process was not sufficiently transparent. She also felt that a number of matters had been put forwards without prior scrutiny or audit consideration or visible business cases. The Assistant Director Governance indicated that Internal Audit could be asked to look at the property investment process. With regards to the decisions and business cases, he would discuss with the Chief Executive and Directors, whether it should be included in the Annual Governance Statement.
- Councillor Gee suggested that the Committee not vote on the second recommendation of the report as the Annual Governance Statement was currently in draft. The updated Annual Governance Statement would be considered as part of the Financial Statements and a progress report would be taken to the November meeting.
- It was suggested that the third recommendation be amended.

RESOLVED: That

1) the draft 2019/20 AGS be considered, and any specific matters which should be brought to the attention of Council or Executive identified.

2) requests that update reports be provided to the Audit Committee summarising progress in achieving an governance improvement action plan, on those areas identified as requiring action in the AGS Improvement Plan as contained in this report, and any additional actions added as a result of this plan going from draft to final.

13. FORWARD PROGRAMME 2020-21

The Committee considered the forward programme for the remainder of the municipal year.

During the discussion of this item, the following points were made:

- The Assistant Director Governance indicated that he would bring the risk management audit findings back to the September Committee and the results of the Committee's self-assessment of its effectiveness.
- An updated Internal Audit Plan would be taken to the September meeting.
- Councillor Gee requested an update on the Public Health audit at the November meeting.
- Helen Thompson indicated that the Statement of Accounts, Annual Governance Statement and Ernst & Young letter report would be taken to the November meeting. The Audit Results report would also be taken to November.
- It was noted that the November Committee would move from 4 November to 23 November because of a shift in the audit deadlines.

RESOLVED: That the forward programme be noted.

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TITLE	Corporate Risk Management
FOR CONSIDERATION BY	Audit Committee on 23 September 2020
WARD	None Specific
DIRECTOR	Deputy Chief Executive & Director of Resources and Assets - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision-making. Effective ERM is therefore an integral part of the council's governance arrangements and helps demonstrate the effective use of resources and sound internal controls. The council's Corporate Risk Register (CRR) demonstrates that the Council is pro-actively identifying and managing its significant risks.

RECOMMENDATION

The Audit Committee is asked to consider and note the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR (Appendix A);

SUMMARY OF REPORT

One of the roles of the Audit Committee is to provide assurance on the adequacy of the Council's Risk Management Strategy and associated control environment. It does this by periodically reviewing the Strategy, and evaluating the effectiveness of the Corporate Risk Register.

At its previous meeting on 29 July, the Audit Committee received a detailed update on the latest Council Corporate Risk Register (CRR) following a comprehensive review by Directors and Assistant Directors. Since the last meeting, Directors have updated their Directorate Risk Registers and considered any further changes to the CRR. The details of the CRR is attached to this report (Appendix A).

The main change since the last report to the Committee has been the addition of a new risk around housing numbers in the Borough.

The Director of Communities, Insight & Change will attend the meeting in order for Members to gain assurance about the corporate risks in her area.

Background

- 1.1 The Council's Constitution sets out the remit of the Audit Committee as follows with regard to Risk Management.

Extract from Constitution (paragraph 4.4.3.2 (d))

To provide an independent assurance of the adequacy of the Risk Management Strategy and the associated control environment. In particular:-

i) To receive the annual review of internal controls and be satisfied that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it;

ii) To receive quarterly reports reviewing implementation of the Council's Risk Management Policy and Strategy to determine whether strategic risks are being actively managed;

iii) To review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive when changes occur;

iv) To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of Enterprise Risk Management (ERM) as and when specific training needs are identified.

- 1.2 The Audit Committee has historically received a report on the Corporate Risk Register at each meeting (ii above). The remit of the Committee is to gain assurance on the risk management process as opposed to a detailed analysis of individual risks. In discharging this responsibility, the Committee is advised to focus its review in seeking assurance that the risk management framework ensures that new key risks are identified, that risk mitigations are in place and are effective, and that management action ensures a match with the risk appetite of the Council.

Corporate Risk Register

- 2.1 The Enterprise Risk Management Policy (ERMP) states that the Corporate Leadership Team (CLT) is responsible for identifying and managing the Council's risks and opportunities, and for setting an example to staff. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis.
- 2.2 Since the July 2020 meeting of the Audit Committee, Directors and Assistant Directors have reviewed their directorate risk registers and considered whether any new risks have emerged. Changes made since the last meeting fall into the category of either presentational or new/removed risks.
- 2.3 The main changes to the presentation of the CRR are as follows:-
- Discussions have commenced on the identification and mapping of interdependencies between risks in order to better understand and mitigate the impact of a number of risks materialising simultaneously. The output from these discussions will be shown in the next iteration of the CRR.

2.4 The main changes to the composition of the register are as follows:-

- One new risk has been added covering housing numbers in the Borough (risk no.19).
- The Brexit risk (no.10) has an increased risk profile resulting in further mitigating actions being planned.
- The Climate Emergency risk (no. 13) in terms of impact and likelihood has been re-assessed as “Very High.”
- The Pandemic risk (no. 18) in terms of impact and likelihood has been re-assessed as “High.”
- No existing risks have been removed since the previous report to the Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
Effective risk management mitigates financial risks associated with the Council achieving its objectives.

Cross-Council Implications
Risk management influences all areas of the Council – effective risk management is one of the ways assurance is provided that the Council’s key priorities and objectives will be achieved.

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
Previous Corporate Risk Register papers to Audit Committee Enterprise Risk Management Strategy and Policy

Contact Andrew Moulton	Service Governance
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**Corporate Risk Register
Summary Page
Updated 11/9/2020**

APPENDIX A

Key

Current Score (pre-mitigation):

VH = Very High

H = High

M = Medium

L = Low

Risk Matrix

19

LIKELIHOOD

6			5, 11, 13	1
5			3	4, 12
4			8	6, 7, 14, 17, 18, 19
3		15	2, 10	16
2			9	
1				
	2	4	6	8

IMPACT

Summary of Corporate Risks

- 1 Budgeting & financial mgt (inc forecasting demand & investment and commercial strategy)
- 2 Corporate Governance
- 3 Workforce
- 4 Local Plan Delays & Appeals (including five year land supply)
- 5 Delivering SEND Reforms
- 6 Safeguarding Children and Young People
- 7 Safeguarding Adults
- 8 Information and Data Management
- 9 Health and Safety
- 10 BREXIT
- 11 Inspections Regulatory
- 12 Adult Social Care Provider Market
- 13 Climate Emergency
- 14 High Needs Block
- 15 Telephony
- 16 IT Infrastructure
- 17 Equalities Duty
- 18 Pandemics
- 19 Housing Numbers

Key to Abbreviations

JH	Councillor John Halsall
PJ	Councillor Pauline Jorgensen
PB	Councillor Parry Batth
SM	Councillor Stuart Munro
UC	Councillor Ullakarin Clark
JK	Councillor John Kaiser
CM	Councillor Charles Margetts
WS	Councillor Wayne Smith
CHT	Councillor Charlotte Haitham Taylor
GM	Councillor Gregor Murray
SP	Susan Parsonage, Chief Executive
GE	Graham Ebers, Director of Corporate Resources & Deputy Chief Executive
SH	Keeley Clements, Director of Communities, Insight & Change
CC	Carol Cammiss, Director of Children's Services
MP	Matt Pope, Director of Adult Social Services
CT	Chris Traill, Director Place & Growth
AM	Andrew Moulton, Assistant Director Governance & Risk Facilitator
AC	Audit Committee
N&S	Overview & Scrutiny Management Committee

Key Priorities (from Community Vision and Corporate Delivery Plan)

1. Safe, strong communities
2. Enriching lives
3. Right homes, right places
4. Keeping the Borough moving
5. A clean and green Borough
6. Changing the way we work
7. Be the best we can

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
1	<p><u>Budgeting and financial Management (inc forecasting demand & investment and commercial strategy).</u></p> <p><i>Budgeting</i> - Effectively and efficiently achieving outcomes for the community as per the Council's Plans and Priorities.</p> <p>Risks: a budget that is:-</p> <ol style="list-style-type: none"> Value for money Achieves priorities Meets statutory duties Sustainable in the long term Owned and managed by those responsible and accountable Controlled and monitored to targets set <p><i>Demand</i> - Effectively managing demand-led services in areas such as Adult Social Care and Children's Social Care and special needs.</p> <p>Risks:-</p> <ol style="list-style-type: none"> Forecasting and profiling the demand for the long term. Managing increasing public expectations to be realistic to the resources available Prevention strategies based on analyses of nature of demand Reviewing existing services and/or placements to reduce demand and enable independent living 		<p>Significant impact on additional costs for the vulnerable, loss of income e.g. car parking, and inability to enact in year savings targets. Also potential significant impact on capital funding.</p> <p>Measures in place includes a weekly monitoring report, ensuring we receive Government funding available and freezing expenditure where possible, particularly with regard to the capital programme. Despite this, the financial risks have inevitably increased.</p> <p>The report to Executive on 30th July sets out the latest position and forecast.</p>	<ul style="list-style-type: none"> Medium term financial (MTPF) planning processes over three years. Budget management and monitoring controls as set out in financial regulations Annual Internal Audit programme covering major financial systems External Audit of Council's Financial Statements Reduce capital programme in line with delay in receipts Increase borrowing Closer monitoring of on-site schemes Quarterly refresh of capital programme Refreshed corporate asset management plan Annual capital bidding system and capital programme in place Programme Board for Town Centre Regeneration Project Forward Funding Asset Review Programme Meeting the Council's strategic capital 	<ul style="list-style-type: none"> Overview & Scrutiny (through Community & Corporate Scrutiny Committee) review of 2021/22 budget proposals (meetings of 13/10, 28/10, 23/11, 22/12 & 19/1) Overview & Scrutiny (through Community & Corporate Scrutiny Committee) review of Property Investment Portfolio. Ongoing response to internal/external audits and sources of external assurance including implementation of recommendations. Lobbying re Local Government Finance Settlement for 2021 and beyond. 	13/10 to 19/1/21	GE	JK	8	6	VH
21						22/9/20	GE	JK			
						Ongoing	GE	JK			
						Ongoing	GE	JK			

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
22	<p><i>Investment and Commercial Strategy</i></p> <p>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning</p> <p>The Council has significant investment aspirations including Strategic Development Locations (SDL's), Town Centre Regeneration, school rebuilds and housing provision. This is in the context of limited resources and a complex funding source. The Council needs to ensure it guards against any unmet critical needs and prioritise its aspirations over the long term.</p> <p>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning.</p> <p>Risks:-</p> <ul style="list-style-type: none"> • Insufficient school places for children with additional needs within the Borough • Financial shortfall • Negative PR • Loss of rental income • Scheme slippage / downsizing <p>This is a permanent, long-term risk to the Council.</p> <p>Key Priorities – 1 to 7</p>			<p>requirement, incorporating Strategic Development Locations (SDL) in the medium term financial plan.</p> <ul style="list-style-type: none"> • Resource planning for Strategic Development Locations (SDL) infrastructure needs. • £100m commercial investment approved. • Establishment of Capital Review Group (CRG) and Investment Group with appropriate senior representation. • Establishment of healthy reserve balances in line with good practice. • Overview & Scrutiny reviewed 2020/21 budget proposals (from Sept 2019) • CIPFA independent assessment on financial resilience – shows Wokingham BC rated in top 20 for financial sustainability. • Commercial Council launched. • In year monitoring of financial position and associated risks by Executive – see latest report of 30 July. 							

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
23	<p>Corporate Governance (inc Political Governance) Governing effectively to ensure achievement of the Council's purpose and priorities within the resources available and achieving value for money.</p> <p>Risks:-</p> <ol style="list-style-type: none"> Assurance framework for carrying out different types of assurance activity that is understood and discharged effectively Leadership culture and tone models good governance (i.e. Nolan principles of standards in public life) Effective risk management Effective decision making tools that inform value for money proportionate to the risk e.g. evidenced in business cases Effective arrangements for the safe delivery of services and programmes for the delivery of projects. <p>Effective political governance that sets priorities to deliver purpose, allocate resources, and holds to account through development of policies and strategies</p> <p>Risks:-</p> <ol style="list-style-type: none"> Leadership and culture sets the tone that models and holds to account, motivates, and learns from delivery 		<p>Clear governance arrangements for managing and responding to COVID-19 emergency including communications plan, engagement political group leader, maintenance of Council decision-making through introduction of virtual meetings.</p>	<ul style="list-style-type: none"> Council and Borough Plan processes. Code of Local Corporate Governance Constitution (e.g. Member/Officer protocol, delegations, Code of Conducts etc) Staff training (Code of Conduct e learning Nov 18) 	<ol style="list-style-type: none"> Updated Local Code of Corporate Governance (Council in Nov) Annual Governance Statement (and improvement action plan) in place. Internal Audits of Corporate Governance, Performance Management and Risk Management and implementation of recommendations. LGA Peer Review action plan completion from 2017 and consideration of new Peer Review. <p>Audit Committee to monitor progress</p>	19/11/20	SP	JH	6	3	M

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
24	<p>b. Quality decisions that are based on balancing evidence, public perceptions and political considerations</p> <p>c. Effective monitoring of priorities, risks and business cases</p> <p>d. Effective Administration and effective political opposition supported to achieve outcomes for the community</p> <p>e. Members partake in development and training to effectively discharge their responsibilities</p> <p>f. Clarity of officer/member boundaries and relationships to avoid politicisation of officers.</p> <p>This is a permanent, long-term risk to the Council.</p> <p>Key Priority – 7</p>										
3	<p><u>Workforce (inc Capacity)</u> A workforce that is stable, motivated and attracted to work for the Council with an organisational workload that is aligned to capacity available. Resources are allocated proportionate to priority and risk.</p> <p>Risks:-</p> <p>a. Reward and recognition policies</p> <p>b. Recruitment policies</p> <p>c. Value for money</p> <p>d. Sustainable</p>		<p>The workforce risks associated with COVID-19 are being managed and mitigated through the governance arrangements in place as described above (risk 2) and health & safety arrangements (risk 9).</p>	<ul style="list-style-type: none"> • People strategy • Corporate People Dashboard • Management training • Employee Engagement survey action plans 	<ul style="list-style-type: none"> • Updated People strategy including HR continuous improvement plan. <p>Personnel Board and Overview & Scrutiny to monitor (through oversight of Performance reports)</p>	2020/21	KC	JK	6	5	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
25	e. Career development opportunities f. Clarity of roles g. Empowerment – staff have appraisal and development that gives clarity to objectives, nurtures and develops, in addition to holding to account. h. Clarity of offer i. (Over)Reliance on key members of staff j. Capacity on the front-line This is a permanent, long term risk to the Council. Key Priority - 7										
4	<u>Local Plan Delays & Appeals and 5 year housing land supply</u> Increased number of speculative planning applications and appeals, with associated costs. Significant pressure on finance & staffing resource Attraction/retention of qualified staff to robustly assess planning applications, defend appeals and undertake enforcement.		Difficulty in demonstrating a deliverable five-year housing land supply due to uncertainties in the rate of housebuilding and sales. Potential increased speculation by developers utilising the difficulty in demonstrating a five year housing land supply. Potential delays to preparation of evidence base supporting the preparation of a new local plan.	<ul style="list-style-type: none"> Project plan in place to prepare a new local plan. Resources allocated to deliver project plan for a new local plan. Executive approved consultation on Draft Local Plan on 15 Jan 2020. Regular monitoring of housing developments. 	Adoption of up to date Local Plan and political support.	31/3/21	CT	W S	8	5	VH

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
5	<p>Delivering SEND Reforms</p> <p>Role of the Council in SEND in an environment of academies and national formulas for education budgets, and increasing special needs.</p> <p>Risks:-</p> <ol style="list-style-type: none"> Relationship with education partners and schools Future services and delivery models that are fit for purpose School places meeting the growth in population Managing special needs demand and public expectations of Council resources Financial. <p>This is a permanent, long term risk to the Council.</p> <p>Key priority - 1</p>		<p>The SEND Improvement Board is continuing to meet, but has temporarily scaled down membership.</p> <p>All Task & Finish Groups have delivered a business continuity plan in respect of continued activity during the Coronavirus Outbreak.</p>	<ul style="list-style-type: none"> CWD Team Review (post Ofsted) CIN 1 / 2 Review (post Ofsted) Move of Transitions team to ASC Team stability within CWD Development of Written Statement of Action (WSOA) (Post CQC/Ofsted) SEND Strategy Published Launch and Development of the SEND Improvement Board Key focus on Task & Finish group work towards WSoA Increased engagement with parents & carers via SEND Voices Wokingham and SENDIASS Improved relationships with statutory and non-statutory partners. Introduction of weekly performance tracker Introduction of annual review tracker to ensure outcome and provision in EHCP's are reviewed in line with SEND CoP. 	<p>SEND strategy consultation from 31 January 2019 with the aim of agreeing final strategy by end of year.</p> <p>Reduce High Needs Block overspend.</p> <p>Children's Services Overview & Scrutiny to monitor</p>	31/12/20	CC	U C	6	6	VH

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
6 27	<p><u>Safeguarding children and young people</u> Risk of serious or significant harm to a vulnerable child or young person with whom the council is working. WBC has a duty to care for the needs of, and to provide safeguarding services for the most vulnerable children and young people in the Borough.</p> <p>Risks:-</p> <ul style="list-style-type: none"> • Avoidable harm to a vulnerable child • Damage to reputation • Litigation • Low staff morale – loss of staff, unstable workforce – poor outcome for future children, impact on budget. • Impact of being judged inadequate by Ofsted could lead to statutory/government intervention. • Not managing the transition to Adult Services <p>This is a permanent, long-term risk to the Council.</p> <p>Key priority - 1</p>	<ul style="list-style-type: none"> • Reduction in agencies having contact and engagement with vulnerable children • Increase in Domestic Abuse • Increase in mental health and emotional wellbeing issues/challenges • Reduction in direct home visits by children’s social care. • Impact on the quality of assessments and the judgments that people can make. • The ability to monitor and implement plans, as welfare becomes the primary focus • Increase in LAC numbers • Disruption of placements • Not being able to locate or source a placement • Staff Shielding 	<ul style="list-style-type: none"> • BWSCP Child Protection Procedures and Safeguarding Partnership • Staff Training: informed by professional knowledge and skills statement • Case Reviews and learning from cases • Policy and Procedures up to date and easily accessible to all staff • Clear Practice Framework that is implemented by all social work staff • Regular and high quality Staff Supervision • Quality Assurance Framework embedded across service • Regular Case Audits • Recruiting and retaining a skilled workforce • Growth of budget based on growth of need • Increase in work force to reflect increase in workloads • Reduction of case loads • Increase in line managers, reduction in span of control 	<ul style="list-style-type: none"> • Continuous Improvement Programme (CIP) for Children’s Services to incorporate risks including increasing demand • Ongoing response to internal/external audits and sources of external assurance including implementation of recommendations. • Staff Supervision training and support • Strengthen partnership working to ensure thresholds are understood <p>Children’s Services Overview & Scrutiny to monitor</p> <p>-</p>	Ongoing	CC	U C	8	3	H	

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
			<ul style="list-style-type: none"> Staff becoming unwell/infected 	<ul style="list-style-type: none"> Increase in Practice consultants to support all social care staff Grip and Grasp of placement spend and budget OFSTED informed action plan to improve service delivery Children's Services Improvement Programme focussing on agreed priorities and projects within agreed timescales 							
28	<p><u>Safeguarding adults</u></p> <p>Risk of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility.</p> <p>WBC has a statutory duty to meet the care needs of, and safeguard the most vulnerable adults in the Borough. It is vital to ensure continued focus on Safeguarding systems and procedures.</p> <p>Risks:-</p> <ul style="list-style-type: none"> Damage to reputation and public confidence in services Possible external intervention from statutory agencies such as DH, CQC or Police) Disruption of service provision Litigation 		<p>ASC has reviewed and updated this risk due to the fundamental impacts of COVID-19</p>	<p>Policies and Procedures (multi-agency) in place</p> <ul style="list-style-type: none"> Referral system and assessment processes Management and supervision of staff Staff Training and awareness Berkshire West Safeguarding Board operating effectively Optalis contract as emergency provider in case of external provider failure Care Governance Quality Assurance system for providers Market Failure Protocol in place Appointment of Principal Social Worker to provide 	<ul style="list-style-type: none"> Set up new ASH (Adult Safeguarding Hub). Implement actions from the safeguarding risk assessment. Implement safeguarding actions from Peer Review. ASH will lead to process change PSW to train on evidence management oversight Increased capacity by appointing Locums 		MP	C M	8	4	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
	<ul style="list-style-type: none"> Impact on staff morale Recruitment and retention problems Removal and replacement of senior managers Not managing the transition from Children's Services <p>This is a permanent, long-term risk to the Council.</p> <p>Key priority – 1</p>			<ul style="list-style-type: none"> additional tier of scrutiny and oversight to lead to improved quality of safeguarding policy and practice. Risk assessment for safeguarding completed. LGA Peer Review covered safeguarding. 							
829	<p>Information and Data Management</p> <p>Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data. The Council holds information of a confidential and sensitive nature. There have been past breaches of information security and it is an area under intensive scrutiny from the Information Commissioner. The primary risk is likely to concern paper based documents.</p> <p>Loss of confidential or sensitive data, leading to a significant fine and reputational damage for the council, with a potentially damaging impact on the resident/ customer to which the information relates.</p> <p>Risks:-</p> <ul style="list-style-type: none"> Imposition of a substantial fine Reputational damage/ bad media coverage Breach of contract and payment of damages Loss of future business 	<p>Guidance from the Information Commissioner and Government on data/information management with regards to COVID-19 response is being applied across the Council ensuring continuing compliance with requirements.</p>	<ul style="list-style-type: none"> Information Security Management System - governance for this area including SIRO & IGG roles Encrypted IT equipment Secure storage/ lockers at council offices Robust policies in this area Mandatory refresher programme recently undertaken Archiving of physical records Training for staff on document / information handling and basic 	<p>Online data protection training being updated to be launched in Sept 2020 with completion by November for all.</p> <p>Internal audit review of information and data management arrangements.</p>	30/11/20	GE	JK	6	4	M	

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
30	<ul style="list-style-type: none"> Increased number of complaints Loss of trust from partner organisations/contractors. <p>This is a permanent, long-term risk to the Council.</p> <p>Key priority - 7</p>			<ul style="list-style-type: none"> information security practice Secure e-mail solution Document marking scheme GDPR implemented for 25/5/18 to address new obligations Training for new members Audit Committee monitoring of data protection performance - ref 25/9 Audit Committee . Additional resource to deal with Subject Access Requests and Fol requests 							
9	<p>Health and Safety</p> <p>If the council fails to protect the health and safety of its employees and other persons who come into contact with the services provided by the authority there is a risk of serious injury or death.</p> <p>There is a risk that a health and safety failing could result in an intervention by a relevant enforcement agency and potential enforcement action or conviction.</p> <p>Risks:-</p> <ol style="list-style-type: none"> Enforcement notices and HSE fines for intervention Unlimited fine Custodial Sentence 	<p>Exposure to virus and redeployed staff increases risk. Also, risk re mental health and even domestic abuse from isolation at home.</p> <p>Risk mitigation measures include; PPE, training, wellbeing calls, online support, guidance re physical and psychological protection.</p> <p>As part of the above, there is an overarching corporate health & safety risk assessment.</p>	<ul style="list-style-type: none"> Risk profile - Awareness of high risk areas Ongoing compliance with statute policies and procedures Seeking Assurance programme Compliance with Health and Safety policies and procedures Management and Member performance monitoring reporting from Health and Safety staff Contracts with third parties include a Health and Safety 	<p>Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties.</p> <p>To set up a Lone Working and Work-related Violence Task & Finish Group with representatives from all services to develop a short term and long term improvement plan.</p> <p>Latest statutory Health & Safety report for 2018/19</p>	Ongoing	KC	JK	6	2	M	

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
31	<ul style="list-style-type: none"> d. Publicity Order (Corporate Manslaughter only) e. Remedial Order (Corporate Manslaughter and HSWA) f. Publicity Order (Corporate Manslaughter only) g. Removal of key staff h. Reputational damage i. Service delivery loss due to depleted resources j. Damage to individuals wellbeing k. An avoidable death or injury <p>This is a permanent, long-term risk to the Council.</p> <p>Key priority - 7</p>			<p>clause, setting out what the Council expects from the contractor in relation to Health and Safety obligations</p> <ul style="list-style-type: none"> • Incident reporting, following Health and Safety process should death or serious injury occur • Training of managers and staff - Health and Safety training • Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area • Review across the Council of the arrangements in place to protect staff against violence at work • Health and Safety training included in the Management Induction Programme for all new managers. 	<p>refers to current plans – see 27/6/19 Executive for details.</p> <p>Internal Audit of Health & Safety reported April 2018 giving a category 2 “good” level of assurance.</p> <p>Building maintenance of schools – discharging Council responsibilities.</p>						

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
10	<p>BREXIT</p> <p>As the UK prepares to implement the result of the 2016 Referendum there is a risk that the Council fails to plan for the implications and impacts of BREXIT.</p> <p>There is also the risk that Government focus on Brexit, delays or postpones decisions on other areas e.g. Children's Services (SEND agenda), Adult Social Care, and local government financing.</p> <p>This is a temporary, shorter term risk to the Council.</p>		Ongoing monitoring of the Government's position re the negotiations with EU.	<ul style="list-style-type: none"> Self-assessment of preparedness undertaken Corporate Working Group established to develop more detailed responses. Business Continuity Plans updated BREXIT risk register established 	<ul style="list-style-type: none"> Corporate Working Group met regularly to early Jan 2020 – now being re-established under chairmanship of senior officer in lead up to 31/12/2020 Withdrawal Agreement deadline. 	Autumn 2020	SP	JH	6	3	M
11	<p>Regulatory Inspections</p> <p>Children's Services are inspected regularly by the regulators. ILACs is an inspection 'system' that includes: Annual Conversations between Ofsted & the Local Authority; Inspection at least every 3 years and possible Focussed Visits on identified themes. This means that Children's Services is under regular scrutiny from Ofsted that is carried out in a cyclical process.</p> <p>In addition, the Local Area could be subject to a Joint Targeted Area Inspection focussing on a set theme. The Local Area is also inspected under the SEND inspection Framework.</p> <p>The directorate are not given notice of when the inspections will occur, as they are unannounced. The SEND inspection took place in March 2019 and the Local Area had to produce a Written Statement of Action (WSOA) in response to 6 major areas</p>		The regulatory inspections such as ILACS, Local AREA SEND and focus visits are currently suspended. The annual Ofsted conversation was also suspended. However, Wokingham requested that the annual conversation proceed in June and this has been agreed. Ofsted plan to re-introduce focus visits from September and we Wokingham will receive one in the calendar year. We have revised practice standards to reflect the lockdown and how we approach visits to families.	<ul style="list-style-type: none"> Performance data Self-evaluation Intelligence captured in relation to all forms of external scrutiny that help to drive improvement e.g. Peer Reviews & Audits 	<ul style="list-style-type: none"> The continuous improvement board set up from February 2019 to address actions arising. Wokingham Local Area SEND Written Statement of Action Wokingham SEND Improvement Board Children with Disabilities Improvement Board Service Plans for Children's Services 	Ongoing	CC	U C	6	6	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
33	<p>identified to be requiring improvement. The WSoA was submitted to Ofsted & CQC in August 2019. The Local Area will be re-inspected under the SEND Inspection framework 18 months to 2 years following the submission of the WSoA - so between Feb 2021 and August 2021.</p> <p>The ILACS inspection took place in June 2019 and the Local Authority was found to be Requiring Improvement to be Good.</p> <p>Risks:-</p> <ol style="list-style-type: none"> The embedding of improvements in services to be Good could be affected if resources and action plans are redirected due to a Focused Visit or other inspection activity Impact of being judged inadequate by Ofsted could lead to statutory/government intervention. Lack of evidence of improvement in services could lead to reputational damage <p>Key priority - 7</p>	<ul style="list-style-type: none"> The challenge of maintaining safeguarding activity during Covid-19 and the recovery could divert/deflect resources away from improvement activity Learning and development program needing to be re developed and delayed Performance data ceases to reflect the activity Diversion of people from Annex A activity to undertake other activities Diversion of people from Policy documents undertake other activities Delay in strategies being completed Improvement work delayed and the reframing of the direction of travel 									

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
			due to the journey we have taken due to Covid- 19								
12	<p>Adult Social Care Provider Failure</p> <p>Stability and sustainability of the adult social care market is of major importance in order to ensure the continued safety, health and wellbeing of vulnerable adults with a range of eligible social care support needs.</p> <p>COVID-19 has had a significant impact on the adult social care provider market. The market has become more volatile, with providers facing increased costs (PPE and workforce) and reduced demand leading to greater financial pressure. Adult Social Care has seen an increase in the number of providers experiencing financial difficulties. This will only increase with the ongoing pressure of COVID-19 and economic downturn.</p> <p>Under the COVID Procurement Policy Notice, contracting authorities must ensure suppliers at risk are in a position to resume normal contract delivery once the outbreak is over. Adult Social Care retains a responsibility to ensure continuity of care if services are likely to fail.</p> <p>This applies to the whole market including self-funders which is a significant increase in responsibility to the local authority in Wokingham</p>	<p>ASC has reviewed and updated this risk due to the fundamental impacts of COVID-19</p>	<ul style="list-style-type: none"> • Annual Uplift Process; agreed for 2020/21 • Quality Assurance Framework • An improved funding deal for providers we contract with plus ability to apply for additional temporary funding (sustainability fund) • Help with supply of PPE • Regular advice and guidance • Testing for staff with symptoms. • Offer of access to staff in an emergency Infection control hotline established 	<ul style="list-style-type: none"> • Establish a rigorous contract management process that builds on provider engagement • Develop and implement a rigorous contract management system (CMS) • Review of the current commissioning pathway to ensure oversight of home care providers • Establish a market sustainability strategy, including a long term financial support package • Ensure flow of additional government COVID funding to providers in need • Establish a market sustainability strategy (inc uplift policy) 	Ongoing	MP	C M	8	5	VH	

34

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
13	<p>Climate Emergency</p> <p>On July 18th 2019, a motion was passed at council declaring a climate emergency. The council gave itself six months to establish the boroughs carbon footprint and develop an action plan setting how the council would achieve its targets by 2030.</p> <p>The council needs to both</p> <ul style="list-style-type: none"> to reduce carbon emissions to slow climate change, and adapt to the impacts of extreme weather events brought on by climate change <p>There are an increasing number of extreme weather events, caused by climate change, affecting council services and the borough in general. This ranges from episodes of heavier more prolonged rainfall resulting in flooding or higher temperatures, which result in events such as heath fires or drought conditions.</p> <p>Key priority - 5</p>		<p>Meetings continue and further actions are being developed. Revised working practices across the borough have led to a positive impact on carbon emissions.</p> <p>Key issues include ensuring current changes in working behaviour can be maintained and built upon going forward. The positive impact on this Council objective means the risk of non-achievement has reduced.</p>	<ul style="list-style-type: none"> Cross Council officer group established Cross party member climate emergency working group Appointed a climate emergency strategy officer to deliver the climate emergency action plan Climate Change Initial Action Plan approved by council on 23 Jan 2020 On 23/7/20 the Council approved the Climate Emergency Action Plan, endorsing the targets where available for carbon dioxide reduction and the related actions proposed for Wokingham Borough Council to play as full a role as possible in achieving a carbon neutral Borough by 2030, but notes that much more work needs to be done before it can hope to achieve that aim. 	<ul style="list-style-type: none"> Ongoing work of working group with further report back to Council in 2021 on progress against targets. 	31/7/21	GE	GM	6	6	VH
14	<p>High Needs Block</p> <p>The high needs block spend forms part of the revenue dedicated budget for schools. Its purpose is</p>		<p>This was a pre-Covid-19 risk</p>	<ul style="list-style-type: none"> The Authority is currently in the process of expanding current special needs 	<ul style="list-style-type: none"> The Council has reached agreement with the DfE to build a new 150 place 	Ongoing	CC	U C	8	4	H

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Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
36	to provide the necessary funding to support children with special educational needs or disabilities who have been assessed as requiring an Education, Health and Care Plan. This funding is ring fenced and cannot be used for other purposes. The budget provided by Government is significantly insufficient to meet the needs of Wokingham Borough children, the consequence of which means that year on year large deficit is carried forward. Most of the current expenditure is used to purchase special educational services from outside Wokingham Borough from independent school providers. Last year, the overspend on the budget was in excess of £1 million. This year it is projected to be significantly more.			<p>provision at Addington School from 200 to 250 places.</p> <ul style="list-style-type: none"> In addition, the Council's pupil referral unit, is undergoing a major programme of refurbishment. This will improve facilities and provide resources that will reduce the need for agency placements. Seven specialist resources are currently provided by local primary and secondary schools. Work is underway to improve these resources and improve the current level of funding for these placements. This will when completed further reduce the need for expensive out of area placements. Finally, the Council is in negotiation/discussion with the Department for Education to re-broker provision for Northern House School so as to introduce a new sponsor to improve provision for children with emotional and 	<p>special school in Wokingham to meet the needs of SEND children from the Wokingham/Reading area. This is planned to open 21/22. The Executive will be receiving an update on the project at its meeting of 24/9/20.</p> <ul style="list-style-type: none"> Ongoing discussions are being held with the Education and Skill Funding Agency to ascertain whether additional funding can be provided as part of a deficit recovery programme. 						

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
				behavioural difficulties. This is a local specialist academy that has been judged by Ofsted as inadequate.							
15	<p>Telephony</p> <p>There are a number of risks associated with telephony which include the age of the current kit, capacity issues and the location of the telephony hardware.</p> <p>The impact of failure in this area would be significant affecting one of the key customer channels and impacting the wider service delivery capability of the Council.</p> <p>Priority - 6</p>	<p>This risk has been exacerbated by Covid-19 which is why it has been escalated to the Corporate Risk Register.</p>	<ul style="list-style-type: none"> Operational monitoring of capacity Operational maintenance 	<ul style="list-style-type: none"> Additional investment in telephony as part of 2021/22 budget setting. 	28/2/21	KC	JK	4	3	M	
37											
16	<p>IT Infrastructure</p> <p>There are a number of risks associated with the IT infrastructure including capacity.</p> <p>The impact of failure in this area would be very significant affecting all aspects of the wider service delivery capability of the Council.</p> <p>Priority – 6</p>	<p>This risk has been exacerbated by Covid-19 which is why it has been escalated to the Corporate Risk Register.</p>	<ul style="list-style-type: none"> Operational monitoring of capacity Operational maintenance 	<ul style="list-style-type: none"> Additional investment in the IT infrastructure as part of 2021/22 budget setting. 	28/2/21	KC	JK	8	3	H	
17	<p>Equalities Duty</p> <p>The Council has made progress in 2019/20 with all key decisions taken in the context of Equality Impact Assessments.</p>	<p>There are no specific Covid-19 related impacts.</p>	<ul style="list-style-type: none"> Equality Impact Assessments conducted to support decisions wherever appropriate. 	<ul style="list-style-type: none"> Review and update Equalities objectives based on sound data and intelligence about communities. 	31/1/21	KC	JH	8	4	H	

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
38	<p>However, further embedding of the Public Sector Equality Duty is required including review of equality objectives which is required at least every 4 years – the objectives were last updated in March 2017.</p> <p>Priority – 6</p>			<ul style="list-style-type: none"> Equality Champions Group in place. Improved oversight across key areas of work relating to Equality is being led and monitored by Communities, Insight and Change Tackling Racism Matters – workforce and community surveys undertaken, analysis carried out and work in progress to agree next steps Staff ‘Tackling Racism’ Volunteers have stepped forward – work in progress to engage volunteers and link with Equality Champions work Enhanced support to the BME Forum 							
18	<p>Planning for Pandemics</p> <p>The Council’s emergency planning and response arrangements have been tested in extremis during the previous 5 months and proved effective in enabling the Council to respond to the Covid-19 emergency.</p> <p>The risk is now focused on ensuring lessons are put in place as appropriate.</p> <p>Priority – 1 & 7</p>		<p>The Covid-19 emergency has demonstrated our initial and ongoing response plans have been effective but also renewed focus on recovery and the need to ensure post emergency lessons are put in place.</p>	<ul style="list-style-type: none"> Emergency Plan in place and subject to periodic testing. See O&S Management Committee report of 24 June setting out existing controls/mitigations. 	<ul style="list-style-type: none"> Overview & Scrutiny review of Council wide response to Covid-19 including recovery programme to identify any improvements and/or learning. 	Ongoing	SP	JH	8	4	H

Ref	Risk		Impact of COVID	Existing controls	Further Actions to Mitigate Risk	Lead			Risk Rating		Current Score
	Cause	Consequence/ Impact on Key Priorities				Timescale	Officer	Member	Impact	Likelihood	
19	<p><u>Housing Numbers in the Borough</u> On 6 August 2020, the Government launched a 12 week consultation “Planning for the Future.” The proposals contained in the consultation indicate the possibility that the new house-building requirement in the Borough would increase from c800pa to 1,600pa.</p> <p>The potential impacts of this risk are financial (re-distribution of CIL/s106 across the country), on achieving climate emergency targets, and on the quality of life for residents if insufficient infrastructure is in place to support additional households.</p> <p>Priority – 1, 2, 3 & 4</p>		There are no specific Covid-19 related impacts.	<ul style="list-style-type: none"> As this is a new and emerging risk with a short-term timescale, a verbal update will be provided at the Audit Committee meeting. 	<ul style="list-style-type: none"> Council feedback on consultation through IEMD on 22/9 Leaflet drop to all residents informing of the proposals Leaders’ lobbying through meeting with Ministers 	22/09/20	SP	JH	8	4	H

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TITLE	Risk Management Audit 2020-21
FOR CONSIDERATION BY	Audit Committee on 23 September 2020
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Residents will have assurances regarding the Council's Risk Management arrangements.

RECOMMENDATION

That the Committee note the findings of a recent Internal Audit review of Risk Management.

SUMMARY OF REPORT

As part of the 2020/21 Audit and Investigation Plan that was agreed by this Audit Committee in February 2020, a review of Risk Management arrangements has been undertaken. As part of this Committee's responsibility for overseeing the Corporate Risk Register, it was agreed that the findings of this audit be brought to a future meeting of the Committee.

The audit concluded that controls over the risk management process were "substantially complete and effective." The audit included researching good practice from other local authorities and this learning has already been incorporated into the presentation of the Corporate Risk Register over the summer months.

The audit identified three areas to which management has responded – details can be found in appendix 1.

Background

The principal objective of this audit was primarily an information-gathering exercise, which was requested by CLT, to obtain details from other councils and organisations on risk management (RM) and their Covid19 pandemic response.

In addition, during the audit a process for refreshing the Departmental Risk Registers was started, which will feed into an update of the Corporate Risk Register (CRR). There has also been consultation with External Audit on the RM process and, as a result, timescales are in the process of being added to the Risk Registers.

There are 3 concerns identified in this Audit Report. All have been assessed as posing a medium risk to the service. Details can be found in the Management Action Plan attached to the report.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil	Yes	Revenue
Next Financial Year (Year 2)	Nil	Yes	Revenue
Following Financial Year (Year 3)	Nil	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
N/a

Cross-Council Implications
None

Public Sector Equality Duty
Please confirm that due regard to the Public Sector Equality Duty has been taken and if an equalities assessment has been completed or explain why an equalities assessment is not required. N/a

Reasons for considering the report in Part 2
N/a

List of Background Papers	
Internal Audit of Risk Management report	
Contact Andrew Moulton	Service Governance
Telephone No Tel: 07747 777298	Email Andrew.moulton@wokingham.gov.uk

Management Action Plan Risk Management Audit – 2020/21										
Re f.	Concern	Risk	Finding	COUNTER MEASURE				Counter Measure Action / Explanation	Responsible Officer	Target Date
				Treat	Tolerate	Transfer	Terminate			
1	The Risk Management (RM) process at WBC may not be working effectively.	Medium	Currently, there is no established and consistent process to review and update Directorate Risk Registers, although this process started during the audit period (May/June 2020)	<input checked="" type="checkbox"/>				Prior to every Audit Committee and CLT review of the Corporate Risk Register (CRR), Directorate Leadership Teams will review and update their Directorate Risk Registers including escalation of any risks to the CRR.	Andrew Moulton, Assistant Director Governance	31/8/20
			In addition, there is also no RM Board or Directorate RM Champions in place at present to help drive and co-ordinate RM at WBC. If WBC opted to introduce one or both of these possibilities, the process could also be enhanced if RM becomes a standing item on the agendas of Corporate and Directorate team meetings.	<input checked="" type="checkbox"/>				A risk management champions group, comprising representatives from across the Council, is being established to help drive and co-ordinate the Council's approach to risk management.	Andrew Moulton, Assistant Director Governance	30/9/20
2	Without regular RM training, including advanced RM training, and/or workshops, RM may not be as effective as it could be at WBC.	Medium	Consideration should be given to ensuring regular RM training/workshops are made available for all officers and, proportionally, for those with RM responsibilities in the post they hold. Until the Covid19 lockdown, RM training had been offered by WBC on 3 dates in the last year and the content of	<input checked="" type="checkbox"/>				A schedule of risk management training will be produced for the remainder of 2020/21	Andrew Moulton, Assistant Director Governance	30/9/20

Appendix 1

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			<p>the training was to give an overview of legislation and how to assess a risk (Ref: My Learning as at 8th July 2020). There were no details of advanced training e.g.</p> <ul style="list-style-type: none"> * qualitative and quantitative risk analysis, * effective communication to stakeholders, * analysis of probability and outcomes, * horizon scanning techniques, * opportunities arising out of risks. <p>In addition, training could also include risks that are increased or caused by Covid19.</p> <p>N.b. Training for members was addressed in the report to the Audit Committee (July 2020).</p>						
3	<p>From discussions, WBC's approach to Risk Appetite is currently unclear, i.e. whether Risk Appetite should form part of the RM process and, if so, whether it should be decided at service or departmental level or as an overall corporate view for the whole Council.</p>	Medium	<p>WBC should consider their approach to Risk Appetite.</p> <p>The following details should be taken into account:</p> <ul style="list-style-type: none"> *Risk appetite could be considered as part of the RM process for all risks and aligned to corporate objectives * Risk Appetite could be considered for key risks only i.e. in the Corporate Risk Register, and aligned to corporate objectives * A Risk Appetite Statement could be created. * Risk Appetite will not be considered for WBC risks. 	<input checked="" type="checkbox"/>			<p>The Risk Management Policy & Guidance (approved by Audit Committee on 30/7) sets out the Council's approach to risk appetite – see section 12 of Guidance for details.</p> <p>Training provision will re-enforce this aspect of the Council's risk management process.</p>	<p>Andrew Moulton, Assistant Director Governance</p>	31/7/20

TITLE	2020/21 Annual Audit and Investigation Plan In Year Review
FOR CONSIDERATION BY	Audit Committee on 23 September 2020
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The Council's 2020/21 Internal Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

- provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and efficiently managed;
- allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance and a zero tolerance approach towards fraud and corruption; and
- set out that the Team's resources are being properly utilised.

The originally approved Plan has been updated to refocus and reprioritise audit and investigation activity in light of the impact of the Covid-19 pandemic on the council's control and governance processes, with the aim of providing an overall Head of Audit opinion on these processes at year end.

RECOMMENDATION

That the Audit Committee is asked to approve the updated 2020/21 Audit and Investigation Plan.

SUMMARY OF REPORT

This report presents the 2020/21 updated Internal Audit and Investigation Plan (Appendix A).

Background

The original 2020/21 Internal Audit Plan, (Appendix A) was approved by this Committee on 5 February 2020. This Plan has been reviewed and updated following the impact of the Covid-19 pandemic on both the risk profile of the organisation and the resources to deliver the internal audit activity.

A consultation draft of the updated Internal Audit and Investigation Plan has been considered and agreed by the Corporate Leadership Team.

Due to the impact of the Covid-19 pandemic on the Council, and further to conversations with various other Heads of Internal Audit, and taking into account other advice from professional bodies, we have been carefully considering what we need to achieve in 2020/21 with regards Internal Audit and Investigation work during these unprecedented times. We are mindful that a proportionate approach to Internal Audit must be taken to allow council staff and Members to focus on the recovery from the Covid-19 crisis and council priorities.

Audit work in Quarters 1 and 2 has seen most delays with the commencement of specific audit work being put on hold due to services responding to the impacts of Covid-19. The work of the team has been refocussed and reprioritised and a positive example is in respect of support provided to the Revenues and Benefits and Finance teams in respect of the Business Rate Grants process and associated risk mitigations.

The Shared Audit and Investigation Service (SAIS) is being flexible to support the organisation and responding to new and emerging risks, with a regular review on a quarterly basis by this Committee.

One member of the team was redeployed for a two month period so was unavailable for audit work and several members of the team have been trained to provide further support to the organisation, should this be required.

Audit has responded to the impacts of Covid-19 by adapting its processes to respond to services being delivered work remotely and also providing its own service remotely.

As a result of all the above, an In Year Review has been undertaken to determine which areas of audit activity should not be carried out during the remainder of this year, but in the context of being able to provide adequate assurance over key risk areas and provide an opinion at the end of the year.

The proposed changes are included at Appendix A and are highlighted in 'grey'. The changes include some audits to be postponed to 2021/22, some to be amalgamated with other audits and new audit areas which have been identified as high risk.

Several audits are now in progress and the outputs will be reported to the future meetings of this Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/a	Yes	N/a
Next Financial Year (Year 2)	N/a	Yes	N/a

Following Financial Year (Year 3)	N/a	Yes	N/a
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Other financial information relevant to the Recommendation/Decision
N/a

Cross-Council Implications
None

Public Sector Equality Duty
N/a

Reasons for considering the report in Part 2
N/a

List of Background Papers
2020-21 Annual Audit and Investigation Plan In Year Review

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Chargeable Audit & Investigation Work**Summary**

Area	Description	Original 2020/21 Days	2020/21 Revised Days
Key financial systems	Meeting section 151 and external audit statutory duties	123	162
Governance building blocks	Facilitating the overall internal audit assurance opinion	85	85
Key corporate risks	Providing assurance to Management on the Council's most significant risks	200	5
Key operational risks	Providing assurance to Management on the Council's operational risks	120	20
Fraud & investigation	Focusing on cashable saving fraud work as per agreed strategy	310	330
Servicing the business	Various, majority of which is at request of management	85	60
TOTALS		923	662

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Details

Key Financial Systems					
Traditionally, the service has undertaken full coverage of the key financial systems below. The coverage is listed in the outline scope. The Service will be continually reviewing this coverage in consultation with the Council's External Auditor and the Director of Corporate Services (section 151 officer) in year to ensure that audit coverage, if any, is relevant and focused correctly.					
Audit	Reason for Audit	Outline Scope	Original 2020/21 Days	2020/21 Revised Days	Notes
Payroll	Main financial system	To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; to ensure that all payroll transactions are accurately reflected in the accounting system; to ensure correct classification on payments made to individuals to confirm the Council is compliant with guidance regarding the employment status of workers.	12	12	

Income systems and Debtors	Main financial system	To provide assurance that income-generating activities are identified and accurately invoiced; that all invoices are paid and the income is accounted for and reflected in the Council's accounts; the extent of debt is minimised and overdue accounts are promptly followed up.	8	8	
Payment systems and Creditors	Main financial system	To provide assurance that creditor payments are valid authorised, accurate and timely in respect of goods and services ordered and received by the Council.	8	15	Days increased to include new P2P System
Covid-19 Response	Main financial system	To provide assurance on the supplier payment/emergency payments/decision making process	0	30	New audit due to Covid-19
General Ledger	Main financial system	To provide assurance that all financial transactions of the Council are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared.	5	5	
Cash & bank reconciliation	Main financial system	To provide assurance on the effectiveness, accuracy and completeness of reconciliations.	5	5	
Cashiers	Main financial system	To provide assurance on the operation of the cashiering function.	5	5	
Treasury Management	Main financial system	To provide assurance on the implementation and operation of the treasury function in compliance with the Treasury Management Strategy.	8	8	

Housing Rents	Main financial system	To provide assurance on effectiveness, timeliness, accuracy and completeness of housing rent collection.	10	10	
Benefits/CTRS	Main financial system	To provide assurance on Benefit/CTRS operations.	12	12	
Council tax and NNDR	Main financial system	To provide assurance on Council tax and NNDR collection and recovery processes.	12	12	
Capital Accounting	Main financial system	To provide assurance that the Council is correctly and accurately accounting for its assets.	10	10	
Budgetary Control and Reporting including MTFP	Main financial system	To provide assurance on the Council's budget setting, budget monitoring including forecasting, budgetary control and reporting process.	15	15	
Fixed asset register	Main financial system	To provide assurance on the completeness and accuracy of the fixed asset register.	8	0	Defer to 2021/22
Procurement Cards	Main financial system	To provide assurance on use of Procurement Cards	0	15	Audit added due to potential increased usage due to Covid-19
BACS/CHAPS/Cheques	Main financial system	To provide assurance on the effectiveness, security and accuracy of payments.	5	0	Incorporate into respective audits above
SUB TOTALS			123	162	

Governance Building Blocks					
These reviews cover the key governance elements and are necessary for the formation of the Head of Internal Audit Opinion (HIAO) and Annual Governance Statement (AGS)					
Audit	Reason for Audit	Outline Scope	Original 2020/21 Days	Revised 2020/21 Days	Notes
Facilitating the preparation of the AGS	Governance and reporting	To support and advise Directors and Assistant Directors in producing Management Assurance Statements as evidence for the Annual Governance Statement which forms part of the Council's financial statements. To include the golden thread of Corporate Governance	10	10	
Risk Management	Governance and reporting	To provide assurance on; Assessment of risk management governance including risk appetite, risk maturity, policy and procedures and analysis scores	15	15	
Performance Management	Governance and reporting	To provide assurance on; Objective of the Performance Management, alignment of KPIs with the Council's Vision, Corporate Plan and Service Plans, progress of KPI reporting and plans for implementation, clarity of roles and responsibilities for maintaining the performance management system and accuracy of KPIs and Quality Assurance	15	15	
Procurement	Governance and reporting	To provide assurance on; Compliance with Procurement Directive, Engagement with consultants, compliance with EU thresholds, compliance with WBC thresholds, material decisions, use of standing lists and major suppliers	15	15	

Corporate Governance	Governance and reporting	To provide assurance on all aspects of Corporate Governance	20	20	
Adult Services Governance	Governance and reporting	To provide assurance on governance within the Adult Services Directorate	10	10	Defer to 2021/22
SUB TOTALS			85	85	

Key Corporate Risks

With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key corporate risks are expected to be covered over a two to three year period.

Audit	Reason for Audit	Outline Scope	Original 2020/21 Days	Revised 2020/21 Days	Notes
Workforce (including capacity)	Key Corporate Risk		15	0	Defer to 2021/22
SEND reforms	Key Corporate Risk		15	0	Defer to 2021/22
Safeguarding children and young people	Key Corporate Risk		20	0	Defer to 2021/22
Safeguarding adults	Key Corporate Risk		10	0	Defer to 2021/22
Information and data management	Key Corporate Risk		20	0	Defer to 2021/22
Health and Safety	Key Corporate Risk		20	5	Completion of 2019/20 audit
Brexit	Key Corporate Risk		10	0	No longer required
Regulatory inspections	Key Corporate Risk		20	0	Defer to 2021/22
Adult Social Care provider market	Key Corporate Risk	Management of market property including total spend in this area.	20	0	Defer to 2021/22
Climate Emergency	Key Corporate Risk		20	0	Defer to 2021/22
Commercialisation	Key Corporate Risk		30	0	Defer to 2021/22
SUB TOTALS			200	5	

Key Operational Risks

With reference to the Departmental Risk Registers and through discussion with Directors, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected.

Audit	Reason for Audit	Outline Scope	Original 2020/21 Days	Revised 2020/21 Days	Notes
Highways Governance	Key Operational Risk		20	0	Defer to 2021/22
Car Parking Enforcement	Key Operational Risk		15	0	Defer to 2021/22
Recycling	Key Operational Risk		10	0	Defer to 2021/22
Transition	Key Operational Risk	To give assurance on transition between Children's Services and Adult Services	20	0	Defer to 2021/22
Fragmented Pathway	Key Operational Risk	To give assurance on the policies, procedures and processes on Fragmented Pathway	20	0	Defer to 2021/22
Recruitment and Retention of staff (Adult Services)	Key Operational Risk	To give assurance on the recruitment and retention of staff within the Adult Services Directorate	15	0	Defer to 2021/22
CIL	Audit Committee request	To provide assurance on the CIL administration and collection processes.	20	20	
SUB TOTALS			120	20	

Fraud and Investigation				
Activity	Outline Scope	Original 2020/21 Plan	Revised 2020/21 Plan	Notes
Reactive Investigations	Investigation of ad hoc referrals, including whistleblowing work where suspected irregularity has been detected	150	100	
Proactive Investigations	Proactive counter fraud work that includes targeted testing of processes with inherent risk of fraud (Council Tax Reduction, Council Tax Discounts, New Homes Bonus) – to be undertaken jointly with any audits in the same area	80	150	Increased to additional activity during Covid-19, Including additional Small Business Rate Grant Fund, Retail, Hospitality and Leisure Grants assurance work and associated risk assessments to support Revenues and Benefits Team
National Fraud Initiative	Management of Council's provision of data and investigation of matches	10	10	
Member Code of Conduct investigations	Investigations into breaches of Code of Conduct on behalf of the Monitoring Officer	30	30	
Disciplinary investigations	Investigations on behalf of management	30	30	
Training	Development and delivery of Fraud Awareness Sessions - authority wide and service specific	5	5	
Other	Continued development of Counter Fraud policies in line with current legislation and best practice; providing Statutory data such as Transparency information.	5	5	
Sub Totals		310	330	

Servicing the Business				
Reason	Outline Scope	Original 2020/21 Days	Revised 2020/21 Days	Notes
Optalis	Jointly commissioned by WBC and RBWM as the shareholders.	20	20	
Schools Finance	Undertake testing of the following areas; Governance, Financial Stability, Budget Setting, Budget Monitoring, Payroll and Income.	25	0	Defer to 2020/21
Effectiveness of internal audit	PSIAS compliance	5	5	
Advice on demand	Requests for adhoc advice on control, risk management and governance issues	10	10	
Grant certifications	Statutory compliance e.g. DfT, Troubled Families	10	10	
Follow ups	High risk only	5	5	
Contingency	To cover management/member and other unforeseen requests throughout the year for both audit and investigation	10	10	
SUB TOTALS		85	60	

audit committees

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CHAPTER 1

Introduction

This publication sets out CIPFA's guidance on the function and operation of audit committees in local authorities and police bodies, and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.

This publication incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018)* ('the Position Statement'), which sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement. Throughout the Position Statement the terms 'authority' and 'authorities' are used to include police and crime commissioners (PCCs) and chief constables as well as local authorities and fire and rescue authorities.

The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It also recognises that audit committees are a key component of governance.

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 annual governance processes. In police bodies 'those charged with governance' are the PCC and the chief constable.

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. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation. This guidance therefore explores how audit committees relate to organisations' different arrangements for managing and governing themselves.

Audit committees in local authorities and police bodies are necessary to satisfy the wider requirements for sound financial management and internal control. For example in England, the [Accounts and Audit \(England\) Regulations 2015](#) state that a local authority is responsible "for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk". In addition, in England, Section 151 of the [Local Government Act 1972](#) requires every local authority to "make arrangements for the proper administration of its financial affairs".

Regardless of the specific legislative or regulatory framework, the chief financial officer (CFO) has overarching responsibility for discharging the requirement for sound financial management. To be truly effective, the CFO requires an effective audit committee to provide support and challenge. An essential role for the audit committee is to oversee internal audit,

helping to ensure that it is adequate and effective. Both these elements are now enshrined in the [Public Sector Internal Audit Standards \(PSIAS\)](#) and the supporting [Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards \(LGAN\)](#).

There have been a number of significant developments in governance and audit practice since 2013 which have emphasised the importance of the audit committee. Key developments include:

- the new [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016)
- updates to the PSIAS in 2016 and 2017
- the [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014).

Legislation has also had an impact, in particular the [Local Audit and Accountability Act 2014](#), which introduced changes to the appointment of external auditors. The new combined authorities must also establish an audit committee in accordance with statutory regulations. For police bodies, the operation of joint audit committees supporting both the PCC and the chief constable have now completed a full term and further changes are on the horizon.

The [Policing and Crime Act 2017](#) enables a PCC (following local consultation and approval from the secretary of state) to take on the governance of its local fire and rescue service(s) to become the fire and rescue authority, known as a police and crime commissioner fire and rescue authority (PCC FRA). This would be a separate legal entity from the PCC.

The PCC FRA would be a corporation sole and a fire and rescue authority. There would therefore be the need for appropriate audit committee arrangements. Guidance on this is expected to be included in the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018). The aim of this publication is to support fire and rescue authority and police audit committees in performing effectively.

Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of an organisation. The existence of an audit committee does not remove responsibility from senior managers, members and leaders, but provides an opportunity and resource to focus on these issues. For police audit committees, there is a requirement to have independent members on the audit committee and Welsh authorities and English combined authorities must also include at least one independent member. CIPFA considers that this is in line with good practice. In establishing their audit committees, other authorities should recognise the need to demonstrate good governance principles and independence from the executive and other political allegiances.

This guidance is applicable to all principal local authorities and fire and rescue authorities in the UK, and to the independent audit committees established to support PCCs and chief constables. Where there is specific legislation or guidance relevant for one sector or devolved government, this has been highlighted in the publication.

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
 - the ability to challenge the executive and senior managers when required.

- 7 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.

The purpose of audit committees

Extract from the Position Statement

- 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 internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The overall aim of good governance is to ensure that:

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

Governance 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, as well as those with leadership roles and statutory responsibilities in the organisation, including the chief executive, the CFO and the monitoring officer. In local government, the governing body is the full council or authority and both the PCC and chief constable are responsible as a corporation sole.

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, this committee may be delegated some governance responsibilities by the council; the police audit committee must remain an advisory body to the PCC and the chief constable. New policing arrangements were established by the [Police Reform and Social Responsibility Act 2011](#). Guidance for police audit committees is contained in the [Financial](#)

Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018).

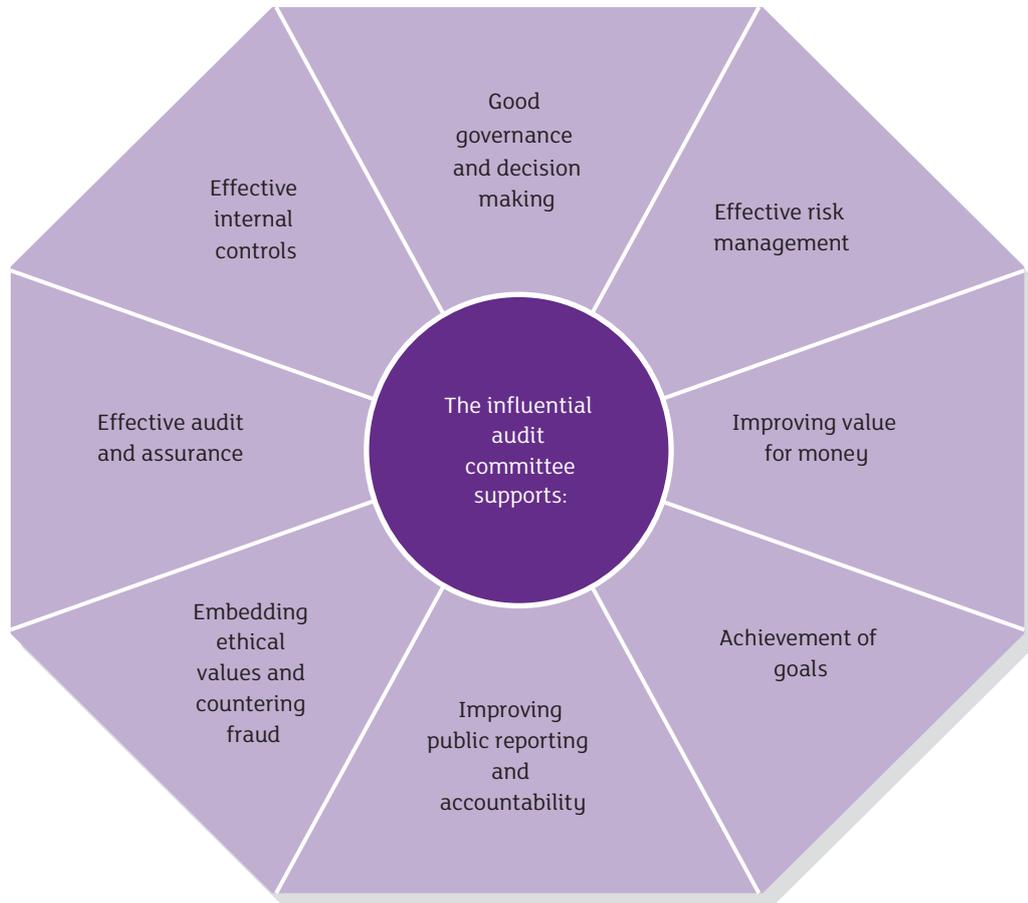
As a key component of an organisation’s governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging 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 influence and add value are:

- promoting the principles of good governance and their application to decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements for the governance of risk and for effective arrangements to manage risks
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively
- reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions
- aiding the achievement of the authority’s goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements
- 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 risks of fraud and corruption
- promoting measures to improve transparency and accountability and effective public reporting to the authority’s stakeholders and the local community.

The influence that an effective audit committee is able to have in these areas is set out in Figure 3.1 below.

Figure 3.1: The influential audit committee



Source: Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)

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 bodies, but a dedicated resource is likely to be more knowledgeable and effective, having more time to focus on these important issues.

The core functions of an audit committee

Extract from the Position Statement

- 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.

INTRODUCTION

The core functions that audit committees should undertake reflect both standard practice for audit committees across all sectors and specific legislative and professional standards requirements for the local authority and the police sectors. Reconciling these sometimes different requirements leads to audit committees in local authorities and police bodies having the distinctive features outlined in this guidance.

Principal regulations affecting the functions of the audit committee are outlined in Appendix A, and a suggested terms of reference for the committee is included in Appendix B. The remainder of this chapter provides further background and explanation for the audit committee's core functions.

GOOD GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT

Audit committees provide essential support for the approval of the annual governance statement (AGS) and for ensuring that good governance is embedded throughout the authority's day-to-day activities rather than being limited to a once-a-year reporting process. The audit committee is able to support this approach by addressing governance principles in the course of its regular business.

[Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector as follows:

- [Delivering Good Governance in Local Government: Guidance Notes for English Authorities](#) (CIPFA/Solace, 2016)
- [Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities](#) (CIPFA/Solace, 2016)
- [Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities](#) (CIPFA/Solace, 2016).
- [Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales](#) (CIPFA, 2016).

The Framework is principles based and informs the approach to good governance adopted by PCCs and chief constables as well as local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles.

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by a body of the authority prior to being signed by the leading member and the chief executive of an authority and by the PCC and chief constable. Typically, audit committees undertake the role of reviewing the AGS prior to approval. Police audit committees should review the AGS of both the PCC and the chief constable.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. For example, English local authorities under the [Accounts and Audit Regulations 2015](#) must approve and publish the AGS by 31 July at the latest for the financial year starting 2017 and thereafter. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

To provide a meaningful review of the AGS, the audit committee should be in a position to draw on knowledge of the governance arrangements as they are established and on

assurances of how they have operated in practice during the course of 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 the AGS is underpinned by a framework of assurance (see later section 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
- 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 has an opportunity to promote the implementation of the principles of good governance across the authority: to make things better in the future, not just reviewing 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 Chapter 6.

INTERNAL AUDIT

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS and the LGAN. All principal local authorities and other relevant bodies subject to the [Accounts and Audit Regulations 2015](#), the [Accounts and Audit \(Wales\) Regulations 2014](#), the [Local Authority Accounts \(Scotland\) Regulations 2014](#) and the [Local Government \(Accounts and Audit\) Regulations \(Northern Ireland\) 2015](#) must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the Mission of Internal Audit, Code of Ethics, Definition of Internal Auditing and the Core Principles for the Professional Practice of Internal Auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority or police body should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board in the majority of instances. Since police audit committees must remain advisory bodies, their role will be to support and review the functional reporting arrangements.

It is a requirement of the PSIAS that the terms of reference of the audit committee should reflect the functional reporting arrangements of internal audit to the audit committee as set

out in the internal audit charter, which is the formal document that defines internal audit's purpose, authority and responsibility.

The role of the audit committee in relation to internal audit is to:

1. oversee its independence, objectivity, performance and professionalism
2. support the effectiveness of the internal audit process
3. promote the effective use of internal audit within the assurance framework.

Within police bodies this is an advisory role for the audit committee.

The specific activities that these three objectives lead to are considered below.

Oversee independence, objectivity, performance and professionalism

The following activities are the functional reporting arrangements set out in the PSIAS to ensure the organisational independence of internal audit. According to the specific internal audit charter of the authority, the audit committee could have a role 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 or the award of a contract for internal audit services
- make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations
- 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 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 LGAN
 - the results of the quality assurance and improvement programme, 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.

The head of internal audit or chief internal auditor (referred to in the PSIAS and the LGAN as 'chief audit executive') must have free and 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 quality assurance and improvement programme (QAIP) at least once every five years.

Support the effectiveness of the internal audit process

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. 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 the internal audit activity'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 takes into account the requirement to produce an annual internal audit opinion that can be used to 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
- when considering the AGS, taking into account internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should take into account internal audit's QAIP when conducting such a review.

The [CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations](#) (CIPFA, 2010 – due to be updated in 2018) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service.

Audit committee members should keep up to date with changes affecting the professional practices and expectations of internal auditors so that they can provide the necessary support.

RISK MANAGEMENT

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be taken into account in determining the role of the audit committee. Police audit committees are directed in the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements. Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

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 risk management provides 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:

- First, assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks. The specific actions this requires include:
 - 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.
- Second, 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
 - reviewing the risk profile and keeping up to date with significant areas of strategic risks and major operational or major project risks and seeking assurance that these risks are managed effectively and owned appropriately
 - 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.
- Third, 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 such as a risk maturity assessment or risk benchmarking
 - reviewing evaluation or assurance reports on risk management and monitoring progress on improvement plans

- monitoring action plans and development work in the field of risk management practice.

Flexibility in the audit committee agenda to adapt to new or heightened risks will ensure that the committee is responsive and focused on priority issues.

ASSURANCE FRAMEWORKS AND ASSURANCE PLANNING

Authorities may have developed a description or diagram explaining what assurances exist and who is responsible for them. Such descriptions may be described as an assurance framework or assurance map. Typically, they outline key areas of the assurances required by the audit committee, such as on governance, risks and controls, and they identify the assurance providers. These may include internal audit, risk management advisors and management. The audit committee should support initiatives to identify and evaluate assurance in this way.

Whether or not there is a formally set-down 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 be seeking to ensure that assurance is planned and delivered with the following objectives in mind:

- clarity of 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.

Having a clear assurance framework in place will assist the committee in a number of areas. It supports the annual review of effectiveness for the AGS. It also supports the approval of the internal audit risk-based plan as it enables the committee to identify the extent to which it will rely on internal audit for its assurance requirements. In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk.

VALUE FOR MONEY AND BEST VALUE

Making best use of resources is a key objective for all local authorities and it is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is “delivering defined outcomes on a sustainable basis within the resources that will be available”.

Under Sections 2, 3 and 35 of the [Police Reform and Social Responsibility Act 2011](#), the chief constable has statutory responsibility to secure value for money (VfM) and the PCC to hold the chief constable to account for this duty. The audit committee’s role is to support both the PCC and chief constable to fulfil their responsibilities through the assurance process.

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.

One specific area of activity for the committee will be consideration of the external auditor's wider work as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows:

- **England** – statutory value for money conclusion as defined by the National Audit Office
- **Scotland** – periodic reviews of best value
- **Wales** – Wales Audit Office annual improvement reports
- **Northern Ireland** – review of arrangements for the use of resources.

Where the external auditor has issued a qualified conclusion on VfM, the audit committee should ensure there is a robust action plan to address the issues raised. In addition, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

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. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the [Bribery Act 2010](#).

The [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014) ('the Code') sets out the counter fraud standards for public sector organisations; sector-specific strategies such as [Fighting Fraud and Corruption Locally](#) should also be considered, along with the [CIPFA Fraud and Corruption Tracker](#) (CFaCT) and [Integrity Matters](#) (HMIC, 2015). The committee should understand the level of fraud risk to which the authority is exposed and the implications for the wider control environment.

Oversight of counter fraud plans, 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 performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

The CIPFA guidance on the AGS included in the Framework recommends that the adequacy of counter fraud arrangements are evaluated and reported on in the AGS with reference to the 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. The audit committee may also refer to the Internal Audit Standards Advisory Board's guidance [Internal Audit's Role in Counter Fraud](#) (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

EXTERNAL AUDIT

Appointment of auditors

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the [Local Audit and Accountability Act 2014](#).

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see [Guide to Auditor Panels](#) (CIPFA, 2015).

The audit committee's role in appointment is generally to express 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, 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. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee is able to 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. providing assurance that the external auditor team maintains independence following its appointment
2. receiving and considering the work of external audit
3. supporting 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. For this reason, there is extensive [guidance](#) from the Financial Reporting Council (FRC) to external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed but the audit committee's role will be to monitor on an annual basis or more often when required.

Each year the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure 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. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards.

Understanding the potential threats to external independence

Self-interest threat

Where there are or perceived to be financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

Self-review threat

Where the audit could include review of work performed, services or advice provided by the same firm or team.

Management threat

Where the auditor has become involved in or associated with decision making of the audited body.

Advocacy threat

Where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

Familiarity (or trust) threat

Where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

Intimidation threat

When the conduct of the external auditor is influenced by fear or threats by individuals in the audited body.

Full details of the threats are set out in the [Revised Ethical Standard 2016](#) (FRC, 2016).

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 or the auditor panel (in England) or from audit quality reviews by the FRC. With regard to non-audit services, audit committees should monitor the approval of non-audit work and, in England, take into account 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 make recommendations, the audit committee should discuss the action to be taken with the appropriate managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit letter.

Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process through:

- understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- considering the effectiveness of the external audit process, including:
 - whether the external auditor has a good understanding of the authority
 - how the external auditor has responded to areas of audit risk
 - actions taken to safeguard independence and objectivity
 - feedback from key people such as the responsible financial officer and the head of internal audit
- reporting to the full council, or the PCC, or the chief constable or other body as appropriate on the results of its considerations.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit, for example, the quality reports from PSAA and the FRC.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Inspection reports

Reports from inspection agencies can be a useful source of assurance about the authority's financial management and governance. The audit committee should have access to inspection reports as a source of assurance and compare the findings with any relevant internal audit and external audit reports. Inspection reports will need to be actioned by the corporate or appropriate departmental management team, but the audit committee has a role in monitoring such action to ensure that a consistent approach is adopted and that the various agencies have one recognisable point of entry into the authority.

FINANCIAL REPORTING

Local authority financial statements should follow the professional practices set down in the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC). The responsible financial officer must sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. For English authorities and policing bodies, the latest date by which the statements must be signed off is likely to be 31 May, as the 30 working day period for the exercise of public rights must include the first ten days in June.

Under the current regulations, Scottish, Welsh and Northern Irish authorities must all ensure that the financial statements are signed off by the CFO by 30 June. The [Accounts and Audit \(Wales\) \(Amendment\) Regulations 2018](#) require preparation and publication to be completed to an earlier timetable with effect from years ending 31 March 2019 onwards. Authorities will formally approve the financial statements after the completion of the external audit.

The date by which the statements must be published is set down by government regulations. For 2017/18 onwards, the latest date for publication is 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September and Northern Irish authorities must

publish by 31 October. CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit.

Audit committees may undertake a review of the statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. Their work could include:

- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the narrative report is readable and understandable by a lay person
- 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 with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, eg provisions or reserves
- seeking assurances that preparations are in place to facilitate the external audit.

[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. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval.

Other committees in the governance structure might also scrutinise the authority's financial performance. Care should be taken to avoid duplication and maintain the focus of the audit committee on financial reporting and financial governance rather than on wider issues of performance and spending priorities.

PARTNERSHIP GOVERNANCE AND COLLABORATION AGREEMENTS

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). PCCs may be considering options for collaboration with other relevant emergency services under the [Policing and Crime Act 2017](#). Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is very 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 the assurance available 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 standards of probity are maintained.

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 and seek clarity over its own responsibilities in relation to the governance arrangements of the new service delivery organisation.

The audit committee should consider the coverage of assurances that underpin the AGS to make sure that partnerships are adequately covered. Where an organisation of which the authority is a partner 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 in order to support the CFO.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas, or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee. Chapter 6 considers the implications of partnerships for audit committee independence and accountability.

GOVERNANCE AND ETHICAL VALUES

Public sector entities are accountable not only for how much they spend but also for the ways they use the resources with which they have been entrusted. This is at the heart of Principle A of the 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, public sector organisations 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 entity can demonstrate 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 to achieve this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles. To promote high standards of conduct, the Committee on Standards in Public Life has recommended that:

Ethical standards issues should be included as regular items on board agendas or formally delegated to audit and risk committees for referral to the board as appropriate. Risks associated with poor standards should be included in risk assessments, and, where appropriate, risk registers. Mitigating strategies should be developed and monitored.

Source: Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (Committee on Standards in Public Life, 2013)

As part of the annual governance review, the audit committee should consider how effectively the Seven Principles of Public Life are supported.

Whistleblowing arrangements support the development of ethical conduct and greater transparency, and also help authorities ensure compliance with the [Public Interest Disclosure Act 1998](#). As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the audit committee may wish to review the effectiveness of the whistleblowing arrangements.

Possible wider functions of an audit committee

Extract from the Position Statement

- 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.

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 of 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 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 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.

ETHICS COMMITTEE AND STANDARDS COMMITTEE ROLES

The audit committee's primary role in relation to standards and ethical conduct is to satisfy itself that there are appropriate arrangements in place, particularly in support of the AGS. Under the [Localism Act 2011](#), English local authorities have a statutory duty to promote and maintain high standards of conduct and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. Occasionally the committee takes on a wider role, in the place of other committees. Specifically, there should be regard for the role and responsibilities of a standards committee, where there is one.

Where the local authority does have a standards committee, the lead on promoting high standards of conduct may be taken by that committee, and the most appropriate role for the audit committee would be to consider the effectiveness of the standards committee as part of the annual governance review. Where the audit committee takes on the responsibilities of the standards committee, there should be a clear distinction between the two roles and responsibilities in the terms of reference and meeting agendas.

Ethics in policing has received a lot of attention in the last few years with a number of reviews and new standards, including:

- the [Code of Ethics](#) (College of Policing, 2014)
- [Tone from the Top: Leadership, Ethics and Accountability in Policing](#) (Committee on Standards in Public Life, 2015)
- [Integrity Matters](#) (HMIC, 2016).

The establishment of an ethics committee to take the lead on this important area and to review and monitor practice is now regarded as best practice. In some policing areas these are separate committees, but in some areas the audit committees have taken on this responsibility.

There is no specific guidance on the operation of the ethics committee, but it is important to distinguish between the roles of the two committees. For the audit committee's governance responsibilities, it is appropriate for the committee to have an understanding of any current ethical risks and any initiatives to improve ethical behaviour within the force or PCC's office.

The audit committee should be satisfied that there are appropriate arrangements in place to support the committee's overview of governance and the AGS. The ethics committee's role will be to help establish and monitor those arrangements in practice, ensuring that the PCC and chief constable fulfill their statutory obligations. Where the audit committee is taking on wider ethics committee roles, then it should be clear within its terms of reference and meeting agendas how it separates the two roles.

TREASURY MANAGEMENT

[Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not require the audit committee to undertake that 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. The following clause from the Code should have been adopted by all local authorities and the appropriate body responsible for providing scrutiny nominated:

This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Where the audit committee has been nominated, then it should be aware that it needs to undertake a scrutiny role in accordance with the Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Code clauses as these are executive and decision-making roles rather than a scrutiny role.

Where the committee is undertaking scrutiny then 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 3 of the 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. Specific areas of knowledge and skills are identified in Appendix C.

Independence and accountability

Extract from the Position Statement

- 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.
- 7** 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
 - 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.

INTRODUCTION

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance'. In the police sector, both the PCC and chief constable are separate corporations sole and so each will fulfil the role of 'those charged with governance'.

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

1. any statutory guidance applicable to the sector
2. independence from the executive and political allegiances
3. a practical assessment of 'what works' in the local context.

Each of these elements is considered in more detail in the following sections.

SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

The local authority and police sectors are subject to differing regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences as a result of specific statutory guidance and regulations including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Local authorities in Wales have a clear statutory role established by the [Local Government \(Wales\) Measure 2011](#). The Welsh Government has provided [statutory guidance](#) on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance. The [Cities and Local Government Devolution Act 2016](#) requires combined authorities to establish an audit committee of which at least one member must be appointed as an independent member. The Home Office's [Financial Management Code of Practice for the Police Forces of England and Wales](#) (2013 – due to be updated in 2018) (the 'FMCP') requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The [Policing and Crime Act 2017](#) enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC FRA. The 2018 edition of the FMCP is likely to include guidance concerning audit committees in this event.

Other regulations include the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland, which regulate functions such as internal audit, the review of the AGS and the accounts. These functions can be undertaken by the audit committee and where it does so, the committee should have regard to the regulations.

Impact of other legislation

The standards committee's role has been affected by the [Localism Act 2011](#) in England, and some authorities have chosen to transfer responsibility for looking at ethical governance matters to the audit committee, while retaining a standards panel to oversee investigations.

Other relevant recommendations

The [Exercise by Local Government Auditors of Their Functions in the Year to 31 March 2015](#), a report produced by the Chief Local Government Auditor of the Northern Ireland Audit Office, commented that in a small number of councils the audit committee was not operating as a full committee. The Chief Local Government Auditor has recommended that audit committees should be a full committee reporting directly to council.

STRUCTURE AND INDEPENDENCE

Local authorities

For local authorities, stand-alone audit committees reporting to full council are the most common arrangement in the UK. The [CIPFA Survey on Audit Committees in Local Authorities and Police 2016](#) found that, across the UK, 85% of councils had audit committees that reported to full council, leaving only 15% that reported via cabinet or other committee. The survey also showed that the number of stand-alone audit committees had declined from 58% to 47% alongside a rise in the number of joint committees. Some joint committees' responsibilities were audit and risk or audit and governance, however, others included responsibilities such as procurement or health and safety. There had also been a small rise in the number of joint audit and standards committees. Another arrangement, more common in Scotland, was the integration of audit committee functions into a policy committee.

Reporting to the executive may appear to be advantageous if it increases the prospect of audit committee recommendations being addressed. However, there are two disadvantages from a wider governance perspective: first, by not reporting to full council ('those charged with governance'), the audit committee may not be supporting that body in discharging its governance responsibilities; and, second, members and citizens may see the audit committee as not being independent of the executive.

Combining audit with other committees may appear to be an attractive arrangement, but there is always a danger either that audit committee functions become diluted by the pressure of other business or that the proper functions of these bodies become less clear. Having a group of members bearing the name 'audit committee' will add weight when considering audit and related issues. Extending the remit of the audit committee to other matters could create confusion about the role of the audit committee and ultimately undermine its effectiveness.

Financial scrutiny is a different role from that fulfilled by the audit committee. Financial scrutiny committees are likely to undertake reviews of the council's budget proposals and financial performance. The audit committee should not seek to replicate scrutiny undertaken but should focus on the oversight of governance, risk and control and the audit process.

However the audit committee is constituted, all members should be aware that the work of the audit committee is non-political. Chapter 7 includes a section on the composition of the audit committee.

Combined authorities

The [Cities and Local Government Devolution Act 2016](#) requires combined authorities to have an audit committee, but there are no requirements about where the committee fits into the overall governance structure of the authority. If the combined authority brings together the functions of the PCC with the local authority functions, and in time those of the fire authority as well, then it might be expected that there would be a single audit committee.

Police

Police audit committees are recommended by the FMCP to be joint committees, reporting both to the PCC and the chief constable. To date, all police audit committees operate in this way.

SHARED AUDIT COMMITTEES

Where authorities or policing bodies have entered into significant levels of partnership, a shared audit committee may be a practical way forward. This will be particularly appropriate where there is a shared management team and single functions for finance, audit and risk. In establishing the committee, consideration will need to be given to achieving a balance of representation between the partners and how the chair is to be selected.

AUDIT COMMITTEES IN PARTNERSHIP

Where an authority has major areas of governance and risk shared with other public bodies in a partnership, it may be appropriate to set up formal arrangements between the respective audit committees. This could involve one audit committee being nominated to take the lead on matters relating to the partnership. Alternatively, the audit committees could nominate representatives to a shared audit committee to oversee the partnership.

DECISION-MAKING POWERS AND DELEGATIONS

All audit committees are non-executive bodies whose role is to make recommendations rather than to decide policies directly. The impact of the committee is through influence and persuasion rather than direct decision making. The committee's effectiveness does not depend on the delegation of powers.

The constitution of a local authority may include direct delegations to its audit committee, for example to approve the AGS or financial statements on behalf of the authority, as well as undertaking the review. In establishing whether the audit committee is to have any delegated

decision-making powers, the local authority should take into account the number and role of independent members on the committee. In doing this, it will need to take into account the issue of voting rights outlined in Chapter 7. CIPFA recommends that delegation of decision-making powers on matters not directly related to the work of the audit committee should be avoided.

Police audit committees in England and Wales can never be delegated decision-making or approval powers by the PCC or the chief constable.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

Agenda management and frequency of meetings

The frequency and timing of meetings is a matter for each authority to determine, based on its corporate governance arrangements, together with consideration of how the committee can operate effectively and fulfil its purpose. To fit with planning, monitoring and annual reporting arrangements, most organisations will find they will require at least four meetings a year. Aspects of the audit committee agenda will be determined by statutory requirements related to the accounts and matters related to the financial year. Outside these agenda items, the audit committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken to balance the frequency of meetings against the need to give the business of the committee sufficient focused attention without lengthy and unproductive meetings. Equally, the audit committee should review whether the inclusion of 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. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

Supporting the audit committee and key relationships

Effective administrative support for the audit committee will clearly be important as for any committee of the authority. If the committee is to take an active part in the authority's business, it should be administered as effectively as any other committee meeting. The regular attendance of key senior management figures is important – both to maintain the credibility of the committee and to ensure that members are adequately supported by appropriate professionals.

[The Role of the Chief Financial Officer in Local Government](#) (CIPFA, 2016) and the [CIPFA Statement on the Role of Chief Financial Officers in Policing](#) (2018) emphasise the importance of having an effective audit committee to support the CFO. Police audit committees will need to work with the CFO of both the PCC and the chief constable. The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The CFO should therefore be a key point of contact for audit committee members and it is essential that the CFO has direct access to the committee. It is also a responsibility of the CFO to support the authority's internal audit arrangements and ensure that the audit committee receives any necessary advice and information, so that both functions can operate effectively. The audit committee should then be in a position to provide effective support to the CFO.

The head of internal audit should also have a good relationship with the committee and be a key point of contact. Internal audit reports or updates will be a regular feature of audit committee agendas, so the head of internal audit should be expected to attend all meetings.

A public sector requirement within the PSIAS states:

The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

The head of internal audit's relationship with the audit committee, especially the chair, is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The head of internal audit must work closely with the audit committee chair so that they are clear about their respective roles and make best use of the available resources.

To be effective, an audit committee will need to engage with a wider range of officers than representatives of finance and internal audit, essential though they are. While it is for each audit committee to determine who attends its meetings, the following examples demonstrate the wide range of officers who can attend and add value to audit committee meetings:

- chief executive or equivalent – for the AGS and other governance-related issues
- monitoring officer – for the AGS and ethical governance issues
- risk management officer – for discussions around the risk registers and risk reports
- 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 (while recognising the operational independence of the chief constable on operational policing matters)
- scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Consideration should also be given to supporting the audit committee outside formal 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. This issue may be of particular importance for police audit committees where the members are not routinely involved in other meetings and do not have the same rights of access to information as do local authority councillors. 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 external auditors and with internal auditors are a common feature of audit committees in the private sector and in other parts of the public sector. The aim of this

is to ensure that there are opportunities to raise any concerns. In local authorities this has proved difficult to replicate because of the requirements for committee meetings to be held in public. Some authorities have approached this by specifying that such meetings are informal. Authorities should aim to provide full opportunities for auditors, external and internal, to have access to the chair of the audit committee.

ACCOUNTABILITY

Given its role in the governance structure and in promoting the principles of good governance, the audit committee should be clear how it supports one of the key principles: accountability. It is also important that the audit committee is, in its turn, held to account on the extent to which it has fulfilled its purpose. For an audit committee, accountability has to be considered under three aspects, each of which is considered below:

1. supporting the authority's accountability to the public and stakeholders
2. supporting accountability within the authority
3. holding the audit committee to account.

Supporting the authority's accountability to the public and stakeholders

The committee has a key role in reviewing the public reports of the authority and in helping the authority to discharge its responsibilities in this area. Committee meetings will normally be held in public, with the exception of exempt items, so this also contributes to the accountability of the authority to the public and stakeholders.

The Home Office publishes an [Accountability System Statement for Policing and Crime Reduction](#) which identifies the formal accountability relationships of policing bodies. The statement does not identify a formal accountability role for the police audit committee, which reflects its role as an advisory body supporting the PCC and chief constable. For police audit committees, therefore, the committee provides support for accountability to the public and other stakeholders but does not directly discharge that responsibility itself.

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

Supporting accountability within the authority

Through review of internal and external audit reports, monitoring of risk registers and other key strategies, the audit committee will hold to account those responsible for the implementation of recommendations and action plans. In addition, by overseeing the process of evaluating and improving governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority is working well.

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

CIPFA survey, this was an area that heads of internal audit identified for improvement in their audit committees.

Holding the audit committee to account

The audit committee should be held to account on a regular basis by the group to which it is accountable. For a local authority audit committee, this will be the council. For a police audit committee, it will be both the PCC and the chief constable. The aspects that should be specifically considered include:

- 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 within the authority.

The preparation of an annual report by the committee can be a helpful way to address the key areas where the committee should be held to account. The annual report should be presented to those charged with governance: council or PCC and chief constable as appropriate. In addition, publication of the report will assist other stakeholders to understand the work of the committee.

It can be difficult to ensure that those not directly involved in the work of the committee achieve an understanding of its role. Where there is a lack of understanding about the work of the committee, then the process of holding the committee to account may not operate effectively. This is considered further in Chapter 7.

Membership and effectiveness

Extract from the Position Statement

- 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 an authority 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
 - the ability to challenge the executive and senior managers when required.

COMPOSITION AND OPERATION OF THE COMMITTEE

The composition of the committee will be a key factor in achieving the characteristics of a good audit committee.

Audit committees in Welsh local authorities and combined authorities in England and in police audit committees in England and Wales are subject to specific rules on the composition of the audit committee as follows:

- The composition of the audit committee for Welsh local authorities is subject to the [Local Government \(Wales\) Measure 2011](#), which requires local authority audit committees to have at least one lay member. Up to one-third of the committee membership may be lay members. Only one of the committee's members may be from the council's executive and this must not be the leader or the elected mayor.
- Police audit committees should comprise between three and five members who are independent of the PCC and the force as required by the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018).

- Combined authorities in England are required to establish an audit committee by the [Cities and Local Government Devolution Act 2016](#). The Act and the subsequent [Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#) require combined authority audit committees to include at least one independent member. The definition of independent is set out in the statutory guidance.

In other parts of the local authority sector there are no statutory requirements that determine the composition of the audit committee. In Northern Ireland, the Chief Local Government Auditor has recommended that suitable independent members are appointed to all local authority audit committees. In the most recent [report](#), ten out of eleven local authority committees had appointed at least one independent member to the committee.

CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

In other sectors, the audit committee can be small – fewer than six members. [Guidance on Audit Committees](#) (FRC, 2016) says that an audit committee should have at least three non-executive directors. The [Audit and Risk Assurance Committee Handbook](#) (HM Treasury, 2016) states that a committee should have at least three members of which there should be two non-executive board members, one of whom will chair the committee; executive members are explicitly excluded.

In the local authority sector where membership of the committee is drawn from elected representatives, the depth of knowledge and experience that is desirable may be harder to achieve with a small number, however, there is a risk that creating a large committee will mean that it is harder to create the necessary focus. There is no consistency in the local government sector on the size of the committee. [CIPFA's 2016 survey](#) of audit committees found that size of the committee ranged from five to fifteen or more, although 47% had between six and eight members, with 2% having fewer and 50% having more. The survey showed that the average size of the committee had increased since CIPFA's 2011 survey.

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

Having executive members on the committee is discouraged as it could deter the committee from being able to challenge or hold to account the executive on governance, risk and control matters. This approach is consistent with audit committee practice in other parts of the public sector and in the private sector. Inviting an executive member onto the committee should be avoided unless the committee has other compensating arrangements to ensure independence, for example, a majority of independent members or an independent chair. The executive member should not chair the committee. The leader of the cabinet, administration or the elected mayor should not be a member of the audit committee. However, the audit committee can invite members of the executive to attend to discuss issues within its remit and to brief the committee on the actions they are taking.

Any audit committee that is a properly constituted committee of the council will need to abide by the rules concerning political balance, as outlined in Section 15 of the [Local Government and Housing Act 1989](#). Under the statutory guidance, combined authorities are required to reflect the political balance of the constituent authorities as far as is practicable. One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

Good practice shows that co-option of independent members is beneficial to the audit committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executives to be committee members in health and central government audit committees. The injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:

- to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee
- to maintain continuity of committee membership where membership is affected by the electoral cycle.

There are some potential pitfalls to the use of independent members which should also be borne in mind:

- over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee
- lack of organisational knowledge or ‘context’ among the independent members when considering risk registers or audit reports
- effort is required from both independent members and officers/staff to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

These factors should be taken into account when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

Voting rights of independent members

Local authorities should have regard to Section 13 of the [Local Government and Housing Act 1989](#) which relates to the voting rights of non-elected committee members. Where the audit committee is operating as an advisory committee under the [Local Government Act 1972](#), making recommendations rather than policy, then all members of the committee should be able to vote on that recommendation. If the council wishes to delegate decisions to the committee, for example the adoption of the financial statements, then the independent member will not be able to vote on those matters for decision. The minutes of the meeting should make clear in what capacity the committee is voting.

Recruitment process

The job description of the independent member should be drawn up and agreed before commencing recruitment. The requirement for relevant knowledge or expertise should be

clearly determined. Vacancies should be publicly advertised, as is good practice for any public appointment. Candidates should be able to demonstrate their political independence and their suitability should be checked. Only the independent members for combined authorities have to satisfy specific definitions of their independence. Appropriate enquiries will need to be made as part of the recruitment process to ensure that any applicants satisfy the requirements, and continuation of compliance should be monitored during the term of appointment.

Independent members' appointments should be for a fixed term and be formally approved by the local authority's council or the PCC and the chief constable. Provision should be made for early termination and extension to avoid lack of clarity in the future. While operating as a member of the audit committee, the independent member should follow the same code of conduct as elected members and a register of interests should be maintained.

The primary considerations when considering audit committee membership should be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.

KNOWLEDGE AND EXPERIENCE

There is a range of knowledge and experience that audit committee members can bring to the committee and which will enable it to perform effectively. No one committee member would be expected to be expert in all areas, but there are some core areas of knowledge that committee members will need to acquire. There will also be a need for regular briefings or training to help committee members keep up to date or extend their knowledge.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can be used to guide members on their training needs and to evaluate the overall knowledge and skills of the committee. It can also be used when recruiting independent members. A distinction is made 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 whole 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.

Skills and competencies

A number of skills are beneficial for the audit committee member to have. There are also specific skills that the audit committee chair will need. Many of these skills are not unique to the role of audit committee member and experience in other member or non-executive roles will have helped to build these skills. Many authorities have training and development plans for elected members, which may include similar skill or competency training opportunities. Evidence of appropriate skills and knowledge should also be sought where independent members are being recruited to the committee.

Self-assessment and training

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. Regardless of the knowledge and skills a member has when joining the committee, there needs to be a commitment to participate in training and development to ensure that knowledge is kept up to date. The authority should establish a programme of support that involves induction training, regular briefings and updates as well as formal training programmes. This may require the allocation of a budget to provide appropriate support.

Role of the chair

Police audit committees and some authority audit committees may advertise specifically for an independent chair. Following appointment, it would be expected that the person would remain as chair for their appointed period. Where the chair is an elected councilor, the appointment is likely to be made during the annual council and may only be for that committee cycle. Whether undertaken during recruitment or the annual committee cycle, ideally the selection of the chair will take into account the characteristics required of an effective chair. These include:

- an ability to plan the work of the committee over the year and beyond
- skills of managing meetings
- an ability to bring an objective, apolitical attitude
- a 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. In 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.

DEVELOPING AUDIT COMMITTEE EFFECTIVENESS

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'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness.

Using the recommended practice in this publication should help the authority to achieve a good standard of performance. The evaluation at Appendix D will support an assessment against recommended practice to inform and support the audit committee. Authorities are encouraged not to regard meeting recommended practice as a tick-box activity, and they should recognise that achieving recommended practice does not mean necessarily that the committee is effective.

The selection of audit committee members, their knowledge, skills and experience are an essential component of an effective committee. Regular briefings and training are essential to keep members up to date in their role. Members will become more effective with experience so it is helpful to have some continuity of membership on the committee.

The approach and priorities of the audit committee will need to adapt to the risks and challenges facing the authority and reflect the maturity of its governance, risk and control arrangements. For example, in a new authority or one that has gone through significant structural change, there may be little continuity of governance and control arrangements. As a result, the audit committee will focus on the establishment of appropriate arrangements.

Where an authority has been found to have significant weaknesses in its governance or control arrangements, perhaps identified through an inspection or audit, then the audit committee will support the implementation of recommendations or action plans. Where there are barriers to that improvement, the committee may need to adopt a more questioning or challenging role to help break down those barriers. In those authorities where governance, risk and control are satisfactory overall, the audit committee may give greater focus to new risks and developments, but will also want to seek assurance that satisfactory performance does not lead to complacency and lack of innovation.

COMMON AREAS OF DIFFICULTY FOR AUDIT COMMITTEES

It is not uncommon for audit committees to face difficulties or barriers to fulfilling their potential effectiveness. CIPFA's survey of audit committees in 2016 identified the principal barriers faced by both local authority and police audit committees. For local authorities, the top three were:

1. limited knowledge and experience of the members
2. the committee not being seen as a priority by other members
3. the intrusion of political interests.

For police audit committees, the top three barriers were:

1. the committee was not considered a priority by the PCC and chief constable
2. the committee was not considered a priority by senior management
3. poor relationships between committee members and staff.

The barriers reflect the different make-up of local authority and police committees.

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 could 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 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 areas rather than strategic or wide-ranging issues	<ul style="list-style-type: none"> ■ Agenda management fails to prioritise key areas ■ The chair does not intervene to keep 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
The audit committee is little known or understood in many parts of the authority	<ul style="list-style-type: none"> ■ The audit committee fails to engage with many parts of 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

Areas of difficulty	Possible causes	Possible improvement options
The audit committee is little known or understood by those not on the committee	<ul style="list-style-type: none"> ■ Lack of feedback or reporting arrangements 	<ul style="list-style-type: none"> ■ Invite newly elected members to attend audit committee meetings ■ Review reporting arrangements ■ Consider an annual report that sets out how the committee has fulfilled its responsibilities
Recommendations made by the audit committee are not actioned	<ul style="list-style-type: none"> ■ 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 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"> ■ Lack of understanding about the role of the committee 	<ul style="list-style-type: none"> ■ Seek feedback from those interacting with the committee or external assessment ■ Provide support for or training for the chair ■ Consider the inclusion or role of independent members
A breakdown in the relationship between committee members and the executive, PCC or chief constable or with senior management	<ul style="list-style-type: none"> ■ 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

APPROACHES TO IMPROVEMENT AND EVALUATING EFFECTIVENESS

The areas included on audit committee agendas are regularly impacted by new legislation, professional guidance and research, so even knowledgeable and experienced audit committee members need access to briefings or training to remain effective. Where areas for development have been identified in the operation of the committee, then a more comprehensive action plan may be required.

Seeking feedback on the operation of the committee may be helpful to supplement a self-assessment. Those interacting regularly with the committee or relying on its output would be the principal sources of feedback. Where the committee is struggling, an external assessment may be an appropriate way to evaluate the committee and to develop an action plan for improvement.

Appendix E contains an assessment tool to help audit committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements.

APPENDIX A

Sector and devolved government guidance

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

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Establishment of audit committee	<ul style="list-style-type: none"> Required 	<ul style="list-style-type: none"> Required 	<ul style="list-style-type: none"> Required It is recommended that this should be a combined body for both PCC and chief constable 	<ul style="list-style-type: none"> No guidance
Composition of the audit committee	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Committees must have at least one lay member. Up to one-third of the committee membership may be lay members. Only one of the committee's members may be from the council's executive and this must not be the leader or the elected mayor 	<ul style="list-style-type: none"> Police audit committees should comprise between three and five members who are independent of the PCC and the force (where applicable) 	<ul style="list-style-type: none"> No guidance

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Specified functions of the audit committee	<p>a) Review and scrutinise the authority's financial affairs</p> <p>b) Review and assess the authority's risk management, internal control and corporate governance arrangements</p> <p>c) Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions</p> <p>d) Make reports and recommendations to the combined authority</p>	<p>a) Review and scrutinise the authority's financial affairs</p> <p>b) Make reports and recommendations in relation to the authority's financial affairs</p> <p>c) Review and assess the risk management, internal control and corporate governance arrangements of the authority</p> <p>d) Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements</p> <p>e) Oversee the authority's internal and external audit arrangements</p> <p>f) 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	<p>■ No guidance</p>	<p>■ Oversee external audit arrangements</p>	<p>■ Review external audit reports</p>	No guidance

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Specific guidance	<ul style="list-style-type: none"> ■ Cities and Local Government Devolution Act 2016 ■ Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016 	<ul style="list-style-type: none"> ■ Local Government (Wales) Measure 2011 Statutory Guidance from the Local Government Measure 2011 	Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018)	N/A

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 the devolved governments. The various regulations impose requirements on ‘relevant bodies’, eg a local authority, a 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 summary for each sector and/or region of the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic update 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	Accounts and Audit (England) Regulations 2015
Governance and risk management arrangements	Regulation 3 requires that: <i>A relevant authority must ensure that it has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;</i> <i>(b) ensures that the financial and operational management of the authority is effective; and</i> <i>(c) includes effective arrangements for the management of risk</i>
Authority’s financial affairs and financial statements	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 6 requires members of the body to consider the findings of the review of the effectiveness of the body’s system of internal control
Approval of annual governance statements	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
Internal audit	Regulation 5 requires a relevant body to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Local authorities in Wales

Relevant government guidance	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018
Governance and risk management arrangements	Regulation 5 requires the following: <i>5.—(1) The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes—</i> <i>a) arrangements for the management of risk, and</i> <i>b) adequate and effective financial management</i>
Financial affairs and financial statements	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires the body to conduct a review at least once in a year of the effectiveness of its system of internal control and consider the findings of the review
Approval of annual governance statements	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices
Internal audit	Regulation 7 requires a local government body to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control
Review of effectiveness of internal audit	Regulation 7 requires that a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit In addition, the Local Government Measure (Wales) 2011 has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

Local authorities in Scotland

Relevant government guidance	Local Authority Accounts (Scotland) Regulations 2014
Governance and risk management arrangements	Regulation 5 requires the following: <i>A local authority is responsible for ensuring that the authority has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of the authority's functions; and</i> <i>(b) includes arrangements for the management of risk</i>
Financial affairs and financial statements	Regulation 5 requires the following: <i>A local authority is responsible for ensuring that the financial management of the authority is adequate and effective</i> Regulation 6 relates to accounting records and control systems Regulations 8, 10 and 11 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires the authority to: <i>conduct a review at least once in each financial year of the effectiveness of its system of internal control.</i>

Approval of annual governance statements	Regulation 5 relates to the approval of an AGS prepared in accordance with proper practices in relation to internal control
Internal audit	Regulation 7 requires a local authority to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing
Review of effectiveness of internal audit	Regulation 7 requires a local authority to assess the efficiency and effectiveness of its internal auditing in accordance with the recognised standards and practices

Local authorities in Northern Ireland

Relevant government guidance	Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
Governance and risk management arrangements	Regulation 4 requires a local government body to ensure that the financial management of the local government body is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk
Authority's financial affairs and financial statements	Regulation 5 relates to accounting records and control systems Regulations 7 and 8 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 4 requires a review of the effectiveness of the body's system of internal control and to approve a statement on internal control, prepared in accordance with proper practices in relation to internal control
Approval of annual governance statements	Regulation 4 requires the body to approve a statement on internal control, prepared in accordance with proper practices in relation to internal control The accompanying guidance from the Department of the Environment identifies the CIPFA/Solace 2007 Framework and 2012 Addendum as proper practices – these have now been replaced by the 2016 Framework
Internal audit	Regulation 6 requires the local government body to undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using internal auditing standards in force from time to time The accompanying guidance from the Department of the Environment identifies the PSIAS as the appropriate internal audit standard

Police in England

Relevant government guidance	Accounts and Audit (England) Regulations 2015 – see also the statutory guidance Financial Management Code of Practice for the Police Forces of England and Wales (FMCP) (Home Office, 2013 – due to be updated in 2018)
Governance and risk management arrangements	Regulation 3 requires the following: <i>A relevant authority must ensure that it has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;</i> <i>(b) ensures that the financial and operational management of the authority is effective; and</i> <i>(c) includes effective arrangements for the management of risk.</i>
Authority’s financial affairs and financial statements	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 6 requires members of the body to consider the findings of the review of the effectiveness of the body’s system of internal control
Approval of annual governance statements	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
Internal audit	Regulation 5 requires a relevant body to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Police in Wales

Relevant government guidance	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018 – see also the FMCP
Governance and risk management arrangements	Regulation 5 requires the following: <i>A local authority is responsible for ensuring that the authority has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of the authority’s functions; and</i> <i>(b) includes arrangements for the management of risk.</i>
Financial affairs and financial statements	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires that the body to conduct a review at least once in a year of the effectiveness of its system of internal control and consider the findings of the review
Approval of annual governance statements	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices

Internal audit	Regulation 7 requires a local government body to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control
Review of effectiveness of internal audit	Regulation 7 requires that a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit In addition, the Local Government (Wales) Measure 2011 has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

Suggested terms of reference – local authorities and police

INTRODUCTION

This appendix contains two sets of suggested terms of reference, one for local authorities and one for police. The principal difference between them is that the police audit committee must ensure that its terms of reference are in accordance with the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 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. In addition, 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. Some of the internal audit responsibilities identified in the terms of reference may not be carried out by the audit committee but by others.

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

- 1 Our audit committee is a key component of [name of authority]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]'s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 4 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 7 To monitor the effective development and operation of risk management in the council.
- 8 To monitor progress in addressing risk-related issues reported to the committee.
- 9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 11 To monitor the counter-fraud strategy, actions and resources.
- 12 To review the governance and assurance arrangements for significant partnerships or collaborations.

To fulfil the requirements of the Local Authority Measure within their terms of reference, local authorities in Wales should identify those aspects which are specified in the Measure. See Appendix A for details. CIPFA considers that the requirement to review and make recommendations on the authority's financial affairs will be fulfilled by reference to items 5, 9 and 10 in these suggested terms of reference as well as those under financial reporting.

Internal audit

- 13 To approve the internal audit charter.
- 14 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 15 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.
- 16 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 17 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

- 19 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:
 - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b) regular reports on the results of the QAIP
 - c) 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.
- 20 To consider the head of internal audit's annual report:
 - a) 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.
 - b) 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.
- 21 To consider summaries of specific internal audit reports as requested.
- 22 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.
- 23 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.
- 24 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).
- 25 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.

External audit

- 26 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.
- 27 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 28 To consider specific reports as agreed with the external auditor.
- 29 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 30 To commission work from internal and external audit.
- 31 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 32 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.
- 33 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- 34 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.
- 35 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.
- 36 To publish an annual report on the work of the committee.

SUGGESTED TERMS OF REFERENCE – POLICE

There is no formal requirement as to how the audit committee relates to the governance structures of the PCC and the chief constable, but it is recommended that this is clearly set out in the terms of reference.

Statement of purpose

- 1 Our [audit] [joint audit] committee is a key component of [name of body]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of our [audit] [joint audit] committee is to provide independent advice and recommendation to [select from 'the police and crime commissioner' (or name), 'the chief constable' (or name)] on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of [name of body]'s governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal audit and external audit.
- 3 These terms of reference will summarise the core functions of the committee in relation to the office of the police and crime commissioner (OPCC) and to the constabulary and describe the protocols in place to enable it to operate independently, robustly and effectively.

Governance, risk and control

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 4 Review the corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 5 Review the annual governance statement[s] prior to approval and consider whether [it] [they] properly [reflects] [reflect] the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
- 6 Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the constabulary.
- 8 Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC/the chief constable in addressing risk-related issues reported to them.
- 9 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources.
- 11 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 12 Annually review the internal audit charter and resources.
- 13 Review the internal audit plan and any proposed revisions to the internal audit plan.
- 14 Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
- 15 Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.
- 16 To consider the head of internal audit's 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.
- 17 Consider summaries of internal audit reports and such detailed reports as the committee may request from the PCC/the chief constable, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
- 18 Consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the [Accounts and Audit Regulations \(Wales\) 2014](#) (see Appendix A).

- 19 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To make recommendations on safeguards to limit such impairments and periodically review their operation.

External audit

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 20 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 either PSAA or the auditor panel as appropriate.
- 21 Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
- 22 Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance.
- 23 Consider specific reports as agreed with the external auditor.
- 24 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 25 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 of the financial statements that need to be brought to the attention of the PCC and/or the chief constable.
- 26 Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

Accountability arrangements

The committee will do the following:

- 27 On a timely basis report to the PCC and the chief constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- 28 Report to the PCC and the chief constable on its 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.
- 29 Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the chief constable.
- 30 Publish an annual report on the work of the committee.

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 governance structures of the authority 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 activities of the audit committee including review of the AGS, internal and external audit reports and risk registers
Audit committee role and functions (Chapters 3 and 6)	<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 in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others
Governance (Chapter 4)	<ul style="list-style-type: none"> ■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS ■ Knowledge of 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 in order to adequately support the AGS ■ The committee will review the AGS and consider how the authority is meeting the principles of good governance

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit (Chapter 4)	<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 how the role of the head of internal audit is fulfilled 	<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 accounting (Chapter 4)	<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 ■ Understanding of good financial management principles ■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018) 	<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 the role of the CFO and how this is met when reviewing the AGS
External audit (Chapter 4)	<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 ■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken 	<ul style="list-style-type: none"> ■ The audit committee should meet with the external auditor regularly and receive their reports and opinions ■ Monitoring external audit recommendations and maximising benefit from 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 (Chapter 4)	<ul style="list-style-type: none"> ■ Understanding of the principles of risk management, including linkage to 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 	<ul style="list-style-type: none"> ■ In reviewing the AGS, the committee will consider the robustness of the authority’s risk management arrangements and should also have awareness of the major risks the authority faces ■ Keeping up to date with the risk profile is necessary to support the review of a number of 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 (Chapter 4)	<ul style="list-style-type: none"> ■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed ■ Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (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 (Chapter 5)	<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 ■ 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

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p>Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5)</p>	<ul style="list-style-type: none"> ■ Effective Scrutiny of Treasury Management 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 ■ See also Treasure Your Assets (CfPS, 2017) 	<ul style="list-style-type: none"> ■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	<ul style="list-style-type: none"> Professional qualification in accountancy 	<ul style="list-style-type: none"> More able to engage with the review of the accounts and financial management issues coming before the committee Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues More able to engage with the external auditors and understand the results of audit work
Internal audit	<ul style="list-style-type: none"> Professional qualification in internal audit 	<ul style="list-style-type: none"> This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing The committee would be more able to provide oversight of internal audit and review the output of audit reports
Risk management	<ul style="list-style-type: none"> Risk management qualification Practical experience of applying risk management Knowledge of risks and opportunities associated with major areas of activity 	<ul style="list-style-type: none"> Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers
Governance and legal	<ul style="list-style-type: none"> Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law 	<ul style="list-style-type: none"> Legal knowledge may add value when the committee considers areas of legal risk or governance issues
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> Direct experience of managing or working in a service area similar to that operated by the authority Previous scrutiny committee experience 	<ul style="list-style-type: none"> Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Programme and project management	<ul style="list-style-type: none"> Project management qualifications or practical knowledge of project management principles 	<ul style="list-style-type: none"> Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews
IT systems and IT governance	<ul style="list-style-type: none"> Knowledge gained from management or development work in IT 	<ul style="list-style-type: none"> Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> Able to focus on material issues and overall position, rather than being side tracked by detail 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Able to frame questions that draw out relevant facts and explanations Challenging performance and seeking explanations while avoiding hostility or grandstanding 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Ensuring there is a clear plan of action and allocation of responsibility 	<ul style="list-style-type: none"> The outcome of the audit committee 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, then the audit committee should seek assurances that appropriate action has been taken
Able to balance practicality against theory	<ul style="list-style-type: none"> Able to understand the practical implications of recommendations to understand how they might work in practice 	<ul style="list-style-type: none"> The audit committee should seek assurances that planned actions are practical and realistic

Skills	Key elements	How the audit committee member is able to apply the skill
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> ■ Support the use of plain English in communications, avoiding jargon, acronyms, etc 	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ Evaluate information on the basis of evidence presented and avoiding bias or subjectivity 	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting 	<ul style="list-style-type: none"> ■ 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

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, then 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 can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?			
2	Does the audit committee report directly to full council? (applicable to local government only)			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
4	Is the role and purpose of the audit committee understood and accepted across the authority?			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	■ good governance			
	■ assurance framework, including partnerships and collaboration arrangements			
	■ internal audit			
	■ external audit			
	■ financial reporting			
	■ risk management			
	■ value for money or best value			

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> ■ counter fraud and corruption 			
	<ul style="list-style-type: none"> ■ supporting the ethical framework 			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?			

Membership and support

12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> ■ separation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?			
14	Does the chair of the committee have appropriate knowledge and skills?			
15	Are arrangements in place to support the committee with briefings and training?			
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?			
18	Is adequate secretariat and administrative support to the committee provided?			

Good practice questions		Yes	Partly	No
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
20	Are meetings effective with a good level of discussion and engagement from all the members?			
21	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?			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			
23	Has the committee evaluated whether and how it is adding value to the organisation?			
24	Does the committee have an action plan to improve any areas of weakness?			
25	Does the committee publish an annual report to account for its performance and explain its work?			

Evaluating the effectiveness of the audit committee

Assessment key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
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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 robust review of the AGS and the assurances underpinning it ■ Working with key members/PCC and chief constable to improve their understanding of the AGS and their contribution to 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 		
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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Contributing to the development of an effective control environment	<ul style="list-style-type: none"> ■ Actively monitoring the implementation of recommendations from auditors ■ Encouraging ownership of the internal control framework by appropriate managers ■ Raising significant concerns over controls with appropriate senior managers 		
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 benchmarking ■ Monitoring improvements ■ Holding risk owners to account for major/strategic risks 		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> ■ Specifying its 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 		
Supporting the quality of the internal audit activity, particularly by 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 		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<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 		
Supporting the development of robust arrangements for ensuring value for money	<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 		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> ■ Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (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 		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability	<ul style="list-style-type: none"> ■ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, 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 		

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Monday 23 November 2020	1.	Treasury Management Mid-Year Report 2020/21	Graham Ebers, Deputy Chief Executive
	2.	Corporate Risk Register Update	Graham Ebers, Deputy Chief Executive
	3.	Treasury Management Strategy 2021/22	Graham Ebers, Deputy Chief Executive
	4.	Internal Audit and Investigation Q2 Progress Report 2020/21	Shared Audit and Investigation Service
	5.	Update on Public Health Audit	Shared Audit and Investigation Service
	6.	Statement of Accounts	Graham Ebers, Deputy Chief Executive
	7.	Annual Governance Statement	Graham Ebers, Deputy Chief Executive
	8.	Ernst & Young – Audit results report	Ernst & Young

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Agenda Item 24.

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 3 February 2021	1.	Corporate Risk Register Update	Graham Ebers, Deputy Chief Executive
	2.	Internal Audit and Investigation Q3 Progress Report 2020/21	Shared Audit and Investigation Service
	3.	Annual Audit & Investigations Plan 2021-22	Shared Audit and Investigation Service
	4.	Audit Plan	Ernst & Young
	5.	Annual Audit Letter (<i>possibly November</i>)	Ernst & Young
	6.	Compliments and complaints	Customer Services