

CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES (2013)

Audit Committees are a key component of an authority's governance framework
<ul style="list-style-type: none"> • Their function is to provide an independent and high-level resource to support good governance and strong public financial management
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
<ul style="list-style-type: none"> • By overseeing Internal Audit and External Audit it makes an important contribution to ensuring that effective assurance arrangements are in place
The core functions of the Audit Committee are to:
<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations • Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption. • Consider the reports and recommendations of External Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process. • 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 statement, External Auditors opinion and reports to Members, and monitor management action in response to the issues raised by External Audit
Audit Committees can also support their authorities by understanding a wider role in other areas including:
<ul style="list-style-type: none"> • Considering governance, risk or control matters at the request of other committees or statutory officers • Working with local standards committees to support ethical values and reviewing the arrangements to achieve these values • Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice • Providing oversight of other public reports, such as the Annual Report

Although no single model of Audit Committee is prescribed, all should:

- Act as the principal non-executive, advisory function supporting those charged with governance
- Be independent of both the executive and the scrutiny functions
- Have clear rights of access to other committees / functions, corporate boards and other strategic bodies
- Be properly accountable to the Council
- 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 Chief Internal Auditor
- Include, as regular attendees, the Chief Financial Officer(s) or appropriate senior and qualified substitute, the Chief Executive, Chief Internal Auditor and the appointed External Auditor. Other attendees may include the Monitoring Officer
- These officers should also be able to access the committee, or the chair, as required. The committee should have the right to call any other officers or agencies of the authority as required.
- Report regularly on their work and, at least annually, report an assessment of their performance

Good Audit Committees are characterised by:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- Unbiased attitudes - treating auditors, the executive and management fairly
- The ability to challenge the executive and senior management when required