

## EAST SUSSEX FIRE AUTHORITY

**Panel** Scrutiny and Audit

**Date** 9 November 2023

**Title of Report** CIPFA: Audit Committee Guidance Position

**By** Duncan Savage, Assistant Director Resources/Treasurer and  
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**Background Papers** CIPFA Audit Committee Guidance – Scrutiny & Audit Panel – 13  
November 2014

Redmond Review – Scrutiny & Audit Panel – 12 November  
2020

Redmond Review Working Group Update – Scrutiny & Audit  
Panel – 29 April 2021

Audit committees: practical guidance for local authorities and  
police, 2022 Edition

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**Appendices** Appendix 1 – Position Statement: Audit Committees in Local  
Authorities and Police 2022

Appendix 2 – CIPFA Self-Assessment of Good Practice

Appendix 3 – Co-opted independent members of audit  
committees, August 2023

Appendix 4 – Knowledge and Skills Framework for Audit  
Committee Members

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### Implications (please tick ✓ and attach to report)

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>		<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	
<b>EQUALITY IMPACT ASSESSMENT</b>			

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**PURPOSE OF REPORT:** To update Members on the latest audit committee guidance for  
local authorities and consider best practice recommendations  
within the guidance.

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**EXECUTIVE SUMMARY:** CIPFA issued updated guidance on the function and operation of audit committees in local authorities in October 2022, “Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)”.

The guidance includes an updated Position Statement which sets out the purpose, model, core functions and membership of the audit committee, and states that all local government bodies are expected to make their best efforts to adopt the principles and aim for effective audit committee arrangements. The main changes to the revised position statement are outlined in this report.

The publication also contains a self-assessment of good practice (Appendix 2), and knowledge and skills framework for audit committee members (Appendix 4). CIPFA recommend that the self-assessment tool is used to enable the audit committee to evaluate its effectiveness and inform its annual report.

It is suggested that the knowledge and skills framework is used to guide members on their training needs and support the evaluation of the overall knowledge and skills of the committee. As well as shaping the training plan, evidence of the assessment and delivery of training can support the profile of the committee, for example, by including it in the annual report.

It is proposed that a working group be established to work with the Assistant Director Resources/Treasurer, Deputy Monitoring Officer, Democratic Services Officer and the Chair of the Scrutiny and Audit Panel to undertake a self-assessment of good practice for the Panel, and a training needs analysis of all Members, using the assessment tools withing the CIPFA guidance and included in appendices 2 and 4 of this report.

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**RECOMMENDATION:** The Panel is recommended to:

- (i) Note the latest guidance from CIPFA;
  - (ii) Agree to establish a working group to undertake a self-assessment and training needs analysis, consider whether any changes to the current arrangements and terms of reference are required, and consider CIPFA’s recommendation for the inclusion of a co-opted independent member on the Panel.
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## 1. **INTRODUCTION**

- 1.1 In 2014, the Scrutiny & Audit Panel were presented with guidance issued by CIPFA on the function and operation of audit committees in local authorities, and recommended that the Fire Authority approve certain revisions to the Panel's terms of reference.
- 1.2 Following the publication of the Redmond Review in 2020, the Scrutiny & Audit Panel established a Working Group to consider the main recommendations included in the report. The Working Group presented a number of local actions to the Scrutiny & Audit Panel at the meeting of 29 April 2021, including the need to undertake a skills audit and the need for specific training to be undertaken by Panel Members.
- 1.3 CIPFA issued updated guidance on the function and operation of audit committees in local authorities in October 2022. The publication, "Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)" includes a revised position statement which replaces that included in the 2018 edition, as well as a Self-Assessment of Good Practice and Knowledge and Skills Framework for audit committee members.
- 1.4 The 2022 edition of the guidance and current position statement detail the core functions of the audit committee in relation to governance, risk management, internal control, and audit.
- 1.5 CIPFA's 2022 Position Statement sets out the purpose, model, core functions and membership of the audit committee, and states that all local government bodies are expected to make their best efforts to adopt the principles and aim for effective audit committee arrangements.
- 1.6 The updated Position Statement is attached at Appendix 1. The guidance will be circulated separately.

## 2. **CHANGES TO THE 2022 GUIDANCE**

- 2.1 The following sections of the Position Statement have been updated to reflect good practice and ensure the effectiveness of the audit committee:
  - Independent and effective model – the audit committee should be established so that it is independent of both the executive and the scrutiny functions.
  - Core Functions – the areas of responsibility of the audit committee are highlighted as supporting the establishment of good governance, risk management and control arrangements, supporting accountability and public reporting, and supporting the establishment and maintenance of good arrangements for internal and external audit. Each of these areas are explained in more detail in the guidance document to ensure good governance and accountability arrangements are in place.
  - Audit committee membership – Members of the committee should be trained and have the knowledge, expertise, and interest in the work of the committee. CIPFA includes a recommendation to appoint co-opted independent members on the committee, citing its reasons as supplementing the knowledge and experience of elected representatives and providing continuity outside of the political cycle.

- Engagement and Outputs – the committee should report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.
- Impact – the committee should evaluate its impact and identify areas for improvement.

### **3. EFFECTIVE AUDIT COMMITTEES**

3.1 The guidance lists nine principal areas where the committee can influence and add value:

- Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.
- Promoting the principles of good governance and how they are applied during decision making.
- Raising awareness of the need for sound internal control and contributing to the development of an effective control environment.
- Supporting arrangements to govern 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 and external audit and supporting the effectiveness of the audit functions.
- 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 the risks of fraud and corruption.
- Promoting measures to improve transparency, accountability and effective public reporting to stakeholders and the local community.

3.2 CIPFA's view is that audit committee functions can be most effectively delivered by a dedicated audit committee. It is possible for the functions of an audit committee to be undertaken by other committees, but a dedicated resource is likely to be more knowledgeable and effective, with more time to focus on these issues.

3.3 The guidance states that an audit committee's effectiveness should be judged by the contribution it makes to and beneficial impact it has on the authority's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness.

3.4 The audit committee should report on its effectiveness in its annual report. CIPFA recommend that completion of a regular self-assessment of good practice (Appendix 2) should be used to inform the annual report, as well as support the planning of the audit committee work programme and training plans.

#### **4. CO-OPTED INDEPENDENT MEMBERS**

- 4.1 In the position statement and guidance, CIPFA recommend that where there is no requirement to, audit committees include two co-opted independent members.
- 4.2 The reasons given for this recommendation are as follows:
- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
  - To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
  - To help achieve a non-political focus on governance, risk and control matters.
  - Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
  - Having two co-opted members shows a commitment to supporting and investing in the committee.
- 4.3 In a desk-top survey of 18 CFAs, four were found to currently have, or be in the process of recruiting, at least one co-opted independent member (Appendix 3).
- 4.4 In order to assess whether there are particular knowledge and/or skills that an independent member could bring to the Panel, it is suggested that a skills and knowledge assessment of all members is carried out.

#### **5. IDENTIFYING TRAINING NEEDS AND NEXT STEPS**

- 5.1 The guidance acknowledges that there is a range of knowledge and experience that audit committee members can bring to the committee to enable it to perform effectively. No single committee member is expected to be a specialist in all areas, however there are some core areas of knowledge that members would need to acquire.
- 5.2 CIPFA have included a knowledge and skills framework for audit committee members in the guidance document. This should be used to guide members on their training needs and support the evaluation of the overall knowledge and skills of the committee.
- 5.3 CIPFA recommend that audit committee members review their knowledge and skills as part of an annual self-assessment process or training needs analysis. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.
- 5.4 It is suggested that a working group be established to work with the Assistant Director Resources/Treasurer, Deputy Monitoring Officer, Democratic Services Officer and the Chair of the Scrutiny and Audit Panel to undertake a self-assessment of good practice for the Panel, and a training needs analysis of all Members, using the assessment tools within the CIPFA guidance and included in appendices 2 and 4 of this report. The results of these self-assessments be used to identify if any changes are required to the current arrangements and terms of reference, as well as the knowledge gaps and subsequent training needs required by Members. As a Working Group there is no legal requirement for the membership to consist solely of members of the Scrutiny and Audit

Panel. It is suggested that once the Working Group's membership has been determined, it hold a brief virtual meeting to determine its preferred ways of working.

## 6. **PROPOSED TIMELINE OF ACTIONS**

<b>Action</b>	<b>Date</b>
Issue skills and knowledge self-assessment to all FA Members	November 2023
Issue self-assessment of good practice to S&A Panel members	November 2023
Meeting of working group	January 2024
Report of working group include: <ul style="list-style-type: none"><li>• Training needs and self-assessment of good practice feedback and action plan</li><li>• Required changes (if any) to current arrangements and terms of reference</li></ul>	May 2024