

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY  
26 JULY 2023**



<b>Title of Report</b>	<b>UPDATE ON THE IMPLEMENTATION OF THE CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES AND POLICE 2022</b>	
<b>Presented by</b>	Kerry Beavis Audit Manager	
<b>Background Papers</b>	<a href="#">CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022</a>  Audit committees: practical guidance for local authorities and police (to be circulated)	<b>Public Report:</b> Yes
<b>Purpose of Report</b>	To update members on the initial meeting of the working group and the work which is ongoing to ensure that the Council complies with CIPFA's Position Statement: Audit Committees in Local Authorities, as agreed at the Audit & Governance committee meeting on 26 April 2023.	
<b>Recommendations</b>	<b>THAT THE AUDIT AND GOVERNANCE COMMITTEE</b> <b>1. NOTES THE REPORT.</b>  <b>2. AGREE THE PROCESS FOR THE RECRUITMENT OF INDEPENDENT MEMBERS TO THE COMMITTEE.</b>  <b>3. AGREE THE PROPOSED ACTION PLAN DETAILED IN APPENDIX D</b>	

## **1. INTRODUCTION**

- 1.1 At its meeting on 26 April 2023, the Audit & Governance Committee considered the Chartered Institute of Public Finance & Accountancy (CIPFA) updated [Position Statement: Audit Committees in Local Authorities and Police 2022](#)
- 1.2 The Committee were advised that the Guidance continued to include a strong focus on the factors that supported improvement in the working of audit committees. This included the knowledge and skills that Audit & Governance Committee members require and an emphasis on where the Committee can add value. It also provided practical support in evaluating the existing Committee and planning any improvements identified.
- 1.3 In accordance with the decision of the committee in April, a cross party working group was formed, comprising Cllrs Sutton, Everitt, Moulton, and Simmons, supported by the Head of Legal & Support Services and the Audit Manager. The terms of reference of the group are attached at appendix A.

## **2. SELF-ASSESSMENT PROCESS**

- 2.1 The knowledge and skills questionnaire was distributed to all Committee members for completion, to identify gaps in knowledge and skills. A distinction is made between core areas of knowledge that all Audit & Corporate Governance Committee members should seek to acquire and a range of specialisms that can add value to the Committee.
- 2.2 The group reviewed the outcomes of the self-assessment, discussed the requirement for two co-opted independent member and the requirement to meet the position statement to the best of the Committee's ability.

## **3. KEY FINDINGS AND**

- 3.1 Five responses to the questionnaire were received. The working group reviewed these responses. The level of responses received is broadly considered representative of the views of the Committee as a whole.
- 3.2 A summary of responses received are attached at Appendix B.
- 3.3 The main areas identified for training as part of the member induction process and on an ongoing basis are:
  - Organisational Knowledge
  - Audit Committee Role and Functions
  - Governance
  - Internal Audit
  - Financial Management and Financial Reporting
  - External Audit

- Risk Management
- Counter Fraud
- Values of good governance
- Treasury Management

3.4 It was agreed at the working group that further and ongoing training is required to support members with their responsibilities within the Audit & Governance Committee, with a training plan to be developed at the working group meeting in September.

#### **4. OUTCOMES**

4.1 The working group also agreed that co-opted independent members be appointed to the committee to assist with any knowledge and skills gaps with the appointment process to be agreed by the committee.

4.2 A person specification/ job description be developed, this is included at Appendix C for approval by the committee.

4.3 In addition to considering the above matters, the group agreed that they would meet in September and March to undertake further work to comply with the Position Statement, in particular a review of the work programme of the committee to ensure it aligns with the Position Statement requirements, and to develop the annual report of the Committee.

3.6 Following the working group meeting the Audit Manager has developed an action plan, Appendix D

## **CIPFA's Position Statement: Audit Committees in Local Authorities 2022**

### **Officer/Cross-Party Working Group**

#### **Terms of Reference**

##### **Role**

To assist with the process of implementing the good practice recommended by CIPFA's Position Statement in particular:

- the development of a job description for independent members of the committee and the appointment of such members.
- a review of the skills and knowledge of the members of the committee and the development of a forward training plan.
- the annual review on how the committee has complied with the position statement, discharged its responsibilities, and an assessment of its performance.

##### **Who has voting rights on the recommendations?**

Only elected Members have voting rights.

##### **Members of the Cross-Party Working Group**

Cllr Sutton  
Cllr Everitt  
Cllr Moulton  
Cllr Simmons

##### **What is expected of officers of the Cross-party Working Group?**

- Provide professional advice, support, and guidance, throughout the piece of work.
- Ensure effective administration of the working group including provision of agendas and minutes.

##### **Officers of the Cross-party Working Group**

- Kerry Beavis, Internal Audit Manager – Lead Officer.
- Elizabeth Warhurst, Head of Legal and Support Services and MO.

##### **How often will the Group meet?**

To be considered and agreed by the Group – may be workload dependent. Meetings to be via MS Teams or in person as appropriate for the relevant action topic.

**AUDIT & GOVERNANCE 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	Overall assessment of skills/knowledge (1-5, 1 being minimal and 5 being strong)				
			1	2	3	4	5
Organisational knowledge	<ul style="list-style-type: none"> <li>An overview of the authority’s governance structures and decision-making processes.</li> <li>Knowledge of the organisational objectives and major functions of the authority.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will be core to most of the audit committee’s activities, including the Annual Governance Statement (AGS) review, internal and external audit reports, and risk registers.</li> </ul>	2		2	1	
Audit committee role and functions	<ul style="list-style-type: none"> <li>An understanding of the audit committee’s role and place within the governance structures.</li> <li>Familiarity with the committee’s terms of reference and accountability arrangements.</li> <li>Knowledge of the purpose and role of the audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</li> <li>It will help the committee undertake a self-assessment and prepare its annual report.</li> </ul>	1	2	1	1	
Governance	<ul style="list-style-type: none"> <li>Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).</li> <li>The requirements of the AGS.</li> <li>How the principles of governance are implemented locally as set out in the local code of governance.</li> </ul>	<ul style="list-style-type: none"> <li>The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework.</li> <li>The committee will plan the assurances it is to receive to adequately support the AGS.</li> <li>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</li> <li>The committee will receive audit reports and information on risks relating to governance.</li> </ul>	2	2		1	
Internal audit	<ul style="list-style-type: none"> <li>An awareness of the key principles of the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).</li> <li>Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter.</li> <li>How the role of the head of internal audit is fulfilled.</li> <li>Details of the most recent external assessment and level of conformance with the standards.</li> <li>Internal audit’s strategy, plan, and most recent annual opinion</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</li> <li>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan.</li> <li>The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</li> <li>In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</li> </ul>	1	1	1	1	1

		<ul style="list-style-type: none"> <li>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.</li> </ul>					
Financial management and financial reporting	<ul style="list-style-type: none"> <li>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</li> <li>An understanding of good financial management practice as set out in the CIPFA Financial Management Code (FM Code) and the level of compliance with it.</li> <li>Knowledge of how the organisation meets the requirements of the role of the Chief Finance Officer (CFO) as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016).</li> <li>An overview of the principal financial risks the authority faces.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing the financial statements prior to publication, asking questions.</li> <li>Receiving the external audit report and opinion on the financial audit.</li> <li>Reviewing both external and internal audit recommendations relating to financial management and controls.</li> <li>The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.</li> </ul>	1	1		3	
External audit	<ul style="list-style-type: none"> <li>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</li> <li>Knowledge of the key reports and assurances that external audit will provide.</li> <li>Familiarity with the auditor's most recent plan and the opinion reports.</li> <li>Knowledge about arrangements for the appointment of auditors and quality management undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee will meet with the external auditor regularly and receive their reports and opinions.</li> <li>Monitoring external audit recommendations and maximising the benefit from the audit process.</li> <li>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</li> </ul>	1	2		2	
Risk management	<ul style="list-style-type: none"> <li>Understanding of the principles of risk management, including how it supports good governance and decision making.</li> <li>Knowledge of the risk management policy and strategy of the organisation.</li> <li>Understanding of risk governance arrangements, including the role of members and of the audit committee.</li> <li>Knowledge of the current risk maturity of the organisation and any key areas of improvement.</li> </ul>	<ul style="list-style-type: none"> <li>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements.</li> <li>Awareness of the major risks the authority faces is necessary to support the review of several 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</li> </ul>	2		1	2	
Counter fraud	<ul style="list-style-type: none"> <li>An understanding of the main areas of fraud and corruption risk that the organisation is exposed to.</li> <li>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).</li> <li>Knowledge of the organisation's arrangements for tackling fraud.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	1	1	1	2	

Values of good governance	<ul style="list-style-type: none"> <li>• Knowledge of the Seven Principles of Public Life.</li> <li>• Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct).</li> <li>• Knowledge of the whistleblowing arrangements in the authority.</li> </ul>	<ul style="list-style-type: none"> <li>• The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</li> <li>• 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.</li> </ul>	1	2	1	1	
Treasury management	<ul style="list-style-type: none"> <li>• 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"> <li>– regulatory requirements</li> <li>– treasury risks</li> <li>– the organisation's treasury management strategy</li> <li>– the organisation's policies and procedures in relation to treasury management.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</li> </ul>	1	2	1	1	

## Core Skills

Skills	Key Elements	How the audit committee member is able to apply the skill	Overall assessment of skills/knowledge (1-5, 1 being minimal and 5 being strong)				
			1	2	3	4	5
Strategic thinking and understanding of materiality	Able to focus on material issues and the overall position rather than being side tracked by detail.	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.		2	2	1	
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	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.		1	2	1	1
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome 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, the audit committee should seek assurances that appropriate action has been taken.		2	1	1	1
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.		1	2	2	
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc	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.	1	1	2	1	
Objectivity	Evaluate information based on evidence presented, avoiding bias or subjectivity.	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.		1	2	1	1
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	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.	1	1	2	1	





## **APPOINTMENT OF INDEPENDENT MEMBER FOR AUDIT & GOVERNANCE COMMITTEE**

North West Leicestershire District Council is committed to the highest standards of corporate governance, and our Audit & Governance Committee is a key part of ensuring that we meet those standards. The Council is currently looking to appoint an independent co-opted member to the Committee, to become a part of its work in promoting excellence in governance, risk management, financial reporting and counter fraud.

Independent Members will be expected to actively participate in meetings of the Audit & Governance Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. As part of this rewarding role, they will support the Council's Audit & Governance Committee in providing independent assurance to the members of North West Leicestershire District Council, and its wider citizens and stakeholders.

Independent Members are non-voting members of the Committee, who assist in overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, and reviewing and assessing the governance, risk management and control of the authority.

The terms of reference for the Audit & Governance Committee can be found in the Council's Constitution which is published on our website.

The Independent Member will be appointed for a four-year period. We have a preference for candidates who have either lived or worked within the district or are otherwise familiar with the district.

Successful candidates will be expected to attend approximately five Committee meetings per year, which take place at Stenson House, Whitwick Road, Coalville. They will also need to commit sufficient time to read Committee papers in advance of these meetings, liaise with the Chair and to undertake training alongside the other Committee members.

### **Independence**

#### **a) A person can only be an independent person if that person:**

- Is not a member, co-opted member or officer of the authority, or has been within the last 5 years;
- Is not a member, co-opted member or officer of a parish council of which the authority is the principal authority, or has been within the last 5 years;
- Is not a relative or close friend, of a person within (a) and (b);
- Has submitted an application form in response to an advert for the position at the authority;

- In addition to be eligible for appointment, a person must not be disqualified from holding office as a Member of the Council. Accordingly, any person who is recommended for appointment will be required to confirm that he/she is not disqualified.

**b) A 'relative' means:**

- a) the other person's spouse or civil partner;
- b) living with the other person as husband and wife or as if they were civil partners;
- c) a grandparent of the other person;
- d) a lineal descendant of a grandparent of the other person;
- e) a parent, sibling or child of a person within paragraph (a) or (b);
- f) the spouse or civil partner of a person within paragraph (c), (d) or (e), or
- g) living with a person within paragraph (c), (d) or (e) as husband and wife or as if they were civil partners.

**Selection Criteria**

The ideal candidate for the position will:

1. Be willing and able to commit the necessary time to the role;
2. Have up to date skills, knowledge and experience within at least one of the fields covered within Audit & Governance Committee, i.e. internal audit, risk management, governance, accounting, anti-fraud and corruption;
3. Have good interpersonal skills, including good communication skills both written and oral and the ability to co-operate with others in a committee setting.
4. Have independence of mind, objectivity and impartiality.
5. Make independent, proactive, and proportionate contributions and listen to, and balance, advice;
6. Have a commitment to the general principles governing the conduct of Councillors generally and work to high behavioural standards, demonstrating honesty, probity and integrity;
7. Not be a serving local government officer or councillor;
8. Have no personal, legal or contractual relationship with North West Leicestershire District Council (including employees or Members or former staff), or any other relationship / activity which might represent a conflict of interest or perceived conflict of interest.

**Desirable additional criteria are:**

1. A suitable professional or management qualification (in internal audit, risk management, governance, accounting, or other relevant discipline).
2. An understanding of the complexity of issues surrounding audit, risk management, governance, and finance in local government.
3. An understanding of the Council's vision, priorities, and objectives.
4. An ability to understand complex situations and reports, as well as the statutory background to those reports, and ask appropriate questions of officers.

5. Have a broad range of experience, possibly in public, private, voluntary or charitable sector employment or service including self-employed, employed and voluntary positions.
6. Promotes the work of the Audit & Governance Committee and areas falling under its terms of reference.
7. Have a connection with North West Leicestershire District, e.g. resident, workplace, own a business etc.

### **Remuneration**

Co-opted independent members do not receive an allowance but are entitled to claim for reasonable travelling and subsistence expenses in undertaking their role.

### **Means of assessment**

Application form and by interview.

If you are interested in becoming an Independent Member of the Audit & Governance Committee, we would be delighted to hear from you. Please apply by completing the application form, outlining why you are interested in this opportunity and how your skills and experience relate to the role to: XXXXXXXXX

Appointment of candidates will be strictly in accordance with the selection criteria and desirable additional criteria outlined in this pack and will be based on the information contained in your application only, as supported by references. It is suggested therefore that you include information on how you meet the criteria.

Your application will be acknowledged, and you will be advised as to whether you have been selected for interview or not in due course.

Please note that interviews for the role will be held on the XXXXXXXX at XXXXXXXXX

## SUMMARY ACTION PLAN

Ref	Action	Assigned to	Timescale
1	Interviews for co-opted independent members.	Cllr Moulton, Cllr Sutton, Audit Manager.	September 2023
2	Training plan to be developed to ensure all committee members have a reasonable level of knowledge in the relevant areas.	Working Group, with assistance from Director of Resources, Head of Legal and Support Services, Head of Finance, Audit Manager	September 2023
3	Review of the Self-Assessment of Good Practice to then consider areas of weakness and improvements required to meet the key principles as set out in the Position Statement.	Working Group with assistance from Head of Legal & Support Services, Audit Manager	September 2023
4	Review of the annual work plan of the audit committee to ensure that it reflects the position statement.	Working Group with assistance from Head of Legal & Support Services, Audit Manager	September 2023
5	Approval of the appointment of the co-opted independent members.	Audit & Governance Committee	October 2023
6	The Audit & Governance Committee should produce an annual report on how they complied with the position statement, discharged its responsibilities, and include an assessment of its performance.	Working Group with assistance from Head of Legal & Support Services, Audit Manager and input from all committee members.	To be completed for agreement by the Audit & Governance Committee at the April 2024 meeting
7	Annual Report to be presented at full Council	Chair of Audit & Governance Committee	May 2024

### Potential Training Topics

- Reviewing and approving the Annual Statement of Accounts and Annual Governance Statement;
- Reviewing the findings of both Internal and External examinations and ensuring that appropriate action is taken to remedy weaknesses identifies;
- Monitoring the effective development and operation of risk management;
- Reviewing and monitoring governance arrangements/ Good Governance Framework.
- Fraud Awareness