



HIWFRA Standards and Governance Committee

Purpose: Approval

Date: **18 MARCH 2024**

Title: **REVIEW OF CHARTERED INSTITUTE OF PUBLIC FINANCE
ACCOUNTANTS (CIPFA) GUIDANCE ON AUDIT COMMITTEES**

Report of the Chief Fire Officer

SUMMARY

1. This report updates Members on work conducted by officers to self-assess the Standards and Governance Committee against the recent CIPFA guidance on Audit Committees. It provides some proposals to further improve its effectiveness.
2. The Committee is asked to consider the proposals detailed below.

RECOMMENDATION

3. That the proposals for changes to the Committee detailed in paragraph 11 be considered and approved by the HIWFRA Standards and Governance Committee for recommendation to the Full Authority.

BACKGROUND

4. In 2022, CIPFA issued a renewed Position Statement on Audit Committees in Local Authorities and Police. (Appendix A to this report). This sets out the purpose, model, core functions and membership of the audit committee. It represents CIPFA's view on the audit committee best practice and principles that local government bodies should adopt.
5. CIPFA expects that all local government bodies should make their best efforts to adopt the principles. This is to ensure a focus on effective audit committee arrangements that enable the requirements to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit to be met.

6. As stated in the Position Statement, audit committees are a key component of an authority's governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance (the Full Authority) that those arrangements are effective.

SELF ASSESSMENT OF GOOD PRACTICE

7. CIPFA has provided a self-assessment of good practice for audit committees, which officers have carried out. This comprises a high-level review that incorporates the key principles and an indicator that a committee is soundly based and has in place a knowledgeable membership.
8. Similar work and self-assessments have been undertaken in other services and councils.
9. Officers have carried out the CIPFA self-assessment, noting the comparatively smaller size and scale of the Authority, compared to other Local Authorities. The outcome of the assessment was positive, for example:
 - The Authority's Standards and Governance Committee (which fulfils the functions of an audit committee in HIWFRA) is separate from the executive and not unwieldy in size.
 - the Committee meetings are effective with a good level of discussion and engagement from members with a non-political approach taken.
 - there are good working relations with key people and organisations including internal and external audit and the Chief Fire Officer.
 - it has adequate secretariat and administrative support.
10. There are some changes however that could be considered to be made to the Authority's current model, to bring it more closely into line with the new CIPFA guidance. Given the comparatively smaller size, scale and remit of the Authority, compared to other local authorities, it is not appropriate or proportionate for HIWFRA to meet all areas of the CIPFA guidance. However, it is important that a considered position is taken. The result of the self-assessment is attached at Appendix B.

PROPOSED CHANGES

11. The gaps identified between CIPFA’s Position Statement and current practice, and the proposed changes are detailed in the table below. The Committee’s current Terms of Reference, which form part of the Authority’s Constitution are set out in Appendix C.

CIPFA’s Position Statement	Proposed Changes
<p>The Committee’s terms of reference should set out the purpose of the committee in accordance with CIPFA’s Position Statement and be more explicit in areas particularly in respect to audit functions with more focus on improvement and value added.</p>	<p>A. That the Standards and Governance Committee is reconstituted as the Audit and Governance Committee in accordance with the recommended practice stated in the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022, with revised terms of reference which align to the Position Statement and set out its core functions. (Proposed terms of reference are set out in Appendix D)</p> <p>B. That an Audit and Governance Committee specific induction is carried out for all members appointed to the Committee after the AGM in June 2024. This training, although specific to the Committee members, will be open to all Authority members. Following this, a training needs analysis will be completed on an annual basis to ensure further training is provided to fill any gaps.</p>
<p>The Committee should be able to meet privately and separately with the external auditor and Head of Internal Audit.</p>	<p>C. That an annual meeting is held between the Chairman of the Committee and the External Auditor.</p>

CIPFA's Position Statement	Proposed Changes
	Note: regular meetings with the Chief Internal Auditor are already in place.
Audit Committees should be held to account regularly by those charged with governance. (Full Authority).	<p>D. An annual evaluation <u>by</u> the Committee is conducted of its effectiveness to provide assurance that it fulfils its purpose and can demonstrate its impact, the outcomes, of which are reported to the Full Authority annually.</p> <p>This report, which should include any planned improvements, should be timed to support the annual governance cycle and the preparation of the Annual Governance Statement.</p>
The audit committees of local authorities should include co-opted members in accordance with appropriate legislation.	E. Determine the rationale and benefits of the option and review whether an Independent Member should be co-opted onto the Committee.

12. It is further proposed that a report be presented to the Full Authority in June 2024, detailing any proposed changes to the Committee and its terms of reference for its approval.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

13. By ensuring that the Committee can demonstrate its value in assurance over governance, risk and control, it provides confidence to those charged with governance that arrangements are effective. Strong governance helps to ensure that the Authority continues to deliver public value and efficient public services, which in turn assists with front line service delivery and Together Make Life Safer. The completion of the self assessment and suggestion of improvements supports the Safety Plan priority of Learning and Improving.

14. The Standard and Governance Committee underpins the [Core Code of Ethics](#) and by its nature aligns to the principles within the Core Code; putting communities first, integrity, dignity and respect, leadership and equality, diversity and inclusion.
15. The [Fire and Rescue National Framework](#) expects Fire and Rescue Authorities to demonstrate their accountability for the services they provide, and have scrutiny arrangements in place that reflect the high standard communities expect for an important public safety service. Improvements made to strengthen audit and governance arrangements supports this aspect of the Fire and Rescue National Framework.

CONSULTATION

16. Consultation has been carried out internally with the Legal and Finance officers.

RESOURCE IMPLICATIONS

17. There are no financial implications arising from the proposals in this report. The work required is considered to be within the current capacity of the officers involved.

IMPACT ASSESSMENTS

18. An impact assessment is not deemed necessary at the present time. However, should it be necessary for any proposed actions, assessments will be carried out before they are implemented.

LEGAL IMPLICATIONS

19. The Authority has a statutory duty to ensure an effective control framework is in place for governance and internal control arrangements, financial management, financial reporting and internal audit.
20. The Authority's Monitoring Officer has had significant input into this review.

BENEFITS

21. By ensuring compliance with the CIPFA guidance, the Authority can be assured that best practice is followed. The Committee will be best placed to take stock of the assurances it has received when reviewing the Annual Governance Statement, Assurance Statement, Statement of Accounts and other key reports that is presented to it.

EVALUATION

22. If the changes proposed in this report are approved by the Authority, an annual evaluation will be undertaken, and the outcomes reported to the Authority. This will review and demonstrate the effectiveness of the Committee.

CONCLUSION

23. The report makes some proposals for changes to the Standards and Governance Committee as a result of an assessment made against the new CIPFA guidance. The relative size and scale and remit of the Committee has been considered when developing the proposals.

APPENDICES ATTACHED

24. Appendix A: CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
25. Appendix B: Self-Assessment of Good Practice
26. Appendix C: Standards and Governance Committee – current Terms of Reference
27. Appendix D: Audit and Governance Committee - Proposed Terms of Reference

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