



**CYNGOR BWRDEISTREF SIROL**  
**RHONDDA CYNON TAF**  
**COUNTY BOROUGH COUNCIL**

**GWŶS I GYFARFOD O'R CYNGOR**

C.Hanagan  
Cyfarwyddwr Materion Cyfathrebu a Phennaeth Dros Dro'r Gwasanaethau  
Llywodraethol  
Cyngor Bwrdeistref Sirol Rhondda Cynon Taf  
Y Pafiliynau  
Parc Hen Lofa'r Cambrian  
Cwm Clydach CF40 2XX

Dolen gyswllt: Julia Nicholls - Uwch Swyddog Gwasanaethau Democraidd (01443 424098)

**DYMA WŶS I CHI** i gyfarfod o **Pwyllgor ARCHWILIO** yn cael ei gynnal yn **Bloc F, Y Pafiliynau, Parc Hen Lofa'r Cambrian, Cwm Clydach, Tonypanyd CF40 2XX** ar **Dydd LLUN, 17EG MEDI, 2018** am **5.00 PM.**

**AGENDA**

**Tudalennau**

**1. DATGANIAD BUDDIANT**

To receive disclosures of personal interest from Members in accordance with the Code of Conduct

Note:

1. Members are requested to identify the item number and subject matter that their interest relates to and signify the nature of the personal interest: and
2. Where Members withdraw from a meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chairman when they leave.

**2. COFNODION**

To receive the minutes of the previous meeting of the Audit Committee held on Monday, 12<sup>th</sup> July 2018.

**3 - 10**

**3. PENODI IS-GADEIRYDD**

To appoint a Vice-Chair of the Audit Committee for the 2018/19 municipal year

- |    |   |           |
|----|---|-----------|
| 4. | <b>TROSOLWG O'R TREFNIADAU SYDD YN EU LLE ER MWYN<br/>CEFNOGI YSGOLION.</b>   | 11 - 24   |
| 5. | <b>RÔL Y PWYLLGOR ARCHWILIO - ARCHWILIAD MEWNOL AC<br/>ARCHWILIO ALLANOL SY'N YMGORFFORI DDRAFFT O'R<br/>CYNLLUN GWAITH AR GYFER 2018/19.</b>   | 25 - 126  |
| 6. | <b>CYFLAWNIAD ARCHWILIO MEWNOL</b>  | 127 - 142 |
| 7. | <b>ASEINIADAU ARCHWILIO MEWNOL TERFYNOL</b>   | 143 - 166 |
| 8. | <b>MATERION BRYS</b><br><br>To consider any items, which the Chairman, by reason of special<br>circumstances, is of the opinion should be considered at the meeting as a<br>matter of urgency |           |

**Cyfarwyddwr Materion Cyfathrebu a Phennaeth Dros Dro'r Gwasanaethau  
Llywodraethol  
Cylchreliad:-**

**Y Cynghorwyr Bwrdeistref Sirol:**

Y Cyngorydd G Caple, Y Cyngorydd A Cox, Y Cyngorydd J Cullwick,  
Y Cyngorydd M Fidler-Jones, Y Cyngorydd M Adams, Y Cyngorydd H Boggis,  
Y Cyngorydd S Pickering, Y Cyngorydd R Smith, Y Cyngorydd R Yeo,  
Y Cyngorydd M Powell, Y Cyngorydd G Davies, Councillor K Jones,  
Y Cyngorydd M Norris, Y Cyngorydd G Thomas and Y Cyngorydd E Webster

Aelod Lleyg – Mr R. Hull

Aelod o'r Cabinet ar faterion Gwasanaethau Corfforaethol – Y Cyngorydd  
Bwrdeistref Sirol M.A.Norris – er gwybodaeth

## **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**Minutes** of the meeting of the Audit Committee held on Thursday, 12<sup>th</sup> July 2018 at 5 p.m. at the County Borough Council Offices, The Pavilions, Clydach Vale.

### **PRESENT**

#### **County Borough Councillors**

L. M. Adams	G. R. Davies
H. Boggis	K. Jones
G. Caple	M. Powell
A. Cox	E. Webster
J. Cullwick	R. Yeo

### **OFFICERS**

Mr C. Lee – Group Director, Corporate & Frontline Services  
Mr A. Wilkins – Head of Legal, Corporate & Democratic Services  
Mr P. Griffiths – Service Director, Performance & Improvement  
Mrs S. Davies – Head of Finance, Education and Financial Reporting  
Ms L. Cumpston – Group Auditor

Mr R. Hull – Lay Member

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from County Borough Councillors M. Fidler Jones, D. Macey, M. Norris, S. Pickering, R. W. Smith and G. Thomas.

An apology was also received from the Wales Audit Office.

#### **2. DECLARATIONS OF INTERESTS**

In accordance with the Members' Code of Conduct the following County Borough Councillors declared a personal interest:-

1. County Borough Councillor G. Caple in relation to Agenda item 8 (Finalised Audit Assignments) – “Governor of School”.
2. County Borough Councillor H. Boggis in relation to Agenda item 5 (Draft Statements of Accounts) – “I am the current chair of Llwydcoed Crematorium Joint Committee”.

3. County Borough Councillor L. M. Adams in relation to Agenda item 7 (Internal Audit Performance) – “I am a School Governor of Tylorstown Primary School”.
4. County Borough Councillor G. R. Davies in relation to Agenda Item 8 (Finalised Audit Assignments) “I am secretary of Eglwys Bedyddwyr Blaen Y Cwm which was in receipt of grant”.

### **3. APPOINTMENT OF CHAIR OF THE AUDIT COMMITTEE FOR 2018-19**

The Head of Legal, Corporate & Democratic Services reminded Members of the requirements of paragraph 9.4 the Local Government (Wales) Measure 2011 in relation to the appointment of the Chair of the Audit Committee. The Head of Legal, Corporate & Democratic Services confirmed that the Committee Members themselves decide upon the Chair and it can be a Councillor or a lay member, but cannot be a Councillor who belongs to a group with Members in the Executive. With this in mind, the Head of Legal, Corporate & Democratic Services sought nominations for this position.

**RESOLVED** – That Mr.R.Hull, lay member, be elected as Chairman of the Audit Committee for the Municipal Year 2018/19.

### **4. APPOINTMENT OF VICE-CHAIR OF THE AUDIT COMMITTEE FOR 2018-19**

In accordance with Minute No. 50 (Audit Committee, 30<sup>th</sup> April 2018) when it was resolved to defer consideration of the appointment of the Vice Chair to the first appropriate meeting of the Audit Committee following the AGM, the matter was put to a vote. In view of the fact that the votes cast for the two Members nominated were equal and the Chair abstained from voting, the Head of Legal – Corporate and Democratic Services indicated the appointment would now likely be referred to full Council for consideration.

### **5. MINUTES**

**RESOLVED** – to approve as an accurate record the minutes of the meeting of the Audit Committee held on the 30<sup>th</sup> April 2018, subject to it being confirmed that the query in respect of Elected Members submitting referrals on behalf of residents had been recorded under Minute No.55, Audit Committee April 2018, Fraud, Bribery and Corruption Annual Report 2017/18.

### **6. MATTERS ARISING**

Minute No. 54 – Wales Audit Office Audit Plan 2018 for Rhondda Cynon Taf CBC and Rhondda Cynon Taf Pension Fund – The Committee received confirmation that the amendment to the severance costs, as reflected within the Council’s approved Statement of Accounts for 2016/17, related to a disclosure

note and had no financial impact on the Council's reserves for the previous financial year.

Minute No. 54 - Wales Audit Office report – It was confirmed that the dates for the GPX/Regional seminars would be circulated.

Minute No. 55 – Fraud, Bribery & Corruption Annual Report 2017/18 – Committee was advised that this area would be included on the forward work programme for 2018/19.

## **7. CHAIR'S ANNOUNCEMENT**

The Chair announced that the Head of Internal Audit & Procurement Development Programmes was absent due to a family funeral.

## **8. DRAFT STATEMENT OF ACCOUNTS**

In his report the Group Director, Corporate and Frontline Services provided Committee with the opportunity to consider the certified draft Statements of Accounts for the 2017/18 financial year in respect of the Council, the Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee. He also advised that Committee would be updated with progress in respect of the requirement for earlier production and audit of the Statement of Accounts in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.

The Head of Finance, Education and Financial Reporting referred Committee to the relevant excerpt from the Local Government Measure 2011 outlining the role of Audit Committee in the approval process for the Council's Statement of Accounts. The Head of Finance, Education and Financial Reporting highlighted a number of recent reports that had been considered by Audit Committee, which demonstrated the Council's overall governance arrangements and systems of internal control were robust and fit for purpose during the 2017/18 financial year.

Members were referred to the CIPFA toolkit for local authority audit committees and were informed that the toolkit aims to provide assistance to enable Members to carry out their role effectively. The Head of Finance, Education and Financial Reporting provided Committee with feedback on the questions included within the CIPFA toolkit:

1. Pension liability – It was reported that the cost of the pension liability which impacts upon the reserves of the Council is Employers Contributions paid in year.

Insurance claims – As at the 31<sup>st</sup> March 2018 there were a number of insurance claims against the Council, each claim has a reserve value.

Fixed assets – Council property is valued (and re-valued every five years to ensure it is materially correct) based on a Valuer's estimates.

2. It was reported that there are no significant changes this year to the accounting standards which has been helpful in meeting the earlier deadlines.
3. It was reported that the draft financial statements satisfy all statutory and other regulatory disclosure requirements to which the Authority is subject. It was also reported that the draft financial statements are produced in accordance with the CIPFA Code of Practice on Local Authority Accounting and are compliant, and no significant concerns have been raised to date in respect of the external audit.

Members asked whether there appeared to be any hot spots throughout the County Borough relating to insurance claims and whether the Local Authority could take preventative action based on claims information. It was suggested that this information could be provided to Committee and referred to the relevant Scrutiny Committee for further review should it be considered appropriate.

The Chair advised Committee that a representative from the Wales Audit Office was unable to attend the meeting and as such had provided feedback to the Head of Finance, Education and Financial Reporting that, to date, no significant concerns relating to the audits of the draft Statements of Accounts had been identified.

It was **RESOLVED** –

- (1) To note the Council's certified draft Statement of Accounts for the financial year 2017/18 (Appendix 1);
- (2) To note the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2017/18 (Appendix 2);
- (3) To note the Llwydcoed Crematorium Joint Committee certified Annual Return for the financial year 2017/18 (Appendix 3);
- (4) That there were no issues brought before the Committee during the year which would impact on the Accounts which need to be brought to the attention of Council in approving the Statement of Accounts and Annual Return;
- (5) Note the progress of the proposed plans for earlier production and audit of the Statement of Accounts in accordance with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018; and

- (6) That Committee receives further information in respect of insurance claims, hotspots and preventative action at the next meeting with a view to referring the item to the relevant scrutiny committee as appropriate.

## **9. REGIONAL INTERNAL AUDIT SHARED SERVICE**

The Group Director, Corporate & Frontline Services introduced the Regional Internal Audit Shared Service (RIASS) report which had been considered and agreed by Cabinet on 21<sup>st</sup> June 2018.

The Group Director provided an overview of the report to enable Rhondda Cynon Taf Council's Internal Audit Service to become part of an existing RIASS. The Committee was advised that the Council had proactively engaged with Bridgend, Vale of Glamorgan and Merthyr Tydfil Councils as part of this work and the Group Director highlighted the benefits a shared service would bring such as improved service resilience, developing in-house specialist audit skills and developing a more commercial approach.

The Group Director explained that as part of the implementation arrangements, the current partnership agreement would be up dated to reflect the inclusion of new partners, who will sign up for a period of no less than three years, with the Vale of Glamorgan Council being the designated single employing authority.

The Group Director also explained that the Council would continue to approve and monitor the delivery of its internal audit function via this Committee and in accordance with its existing Terms of Reference.

The Group Director went on to indicate that all staff will be transferred to the new RIASS on current grades and terms and conditions, and there would be no requirement to consider compulsory redundancies. The Group Director added that as part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.

The Group Director concluded the overview of the report by providing assurance to the Committee that it would receive up dates as the implementation process progresses during 2018/19.

A Member of the Committee commented on whether the roles of staff would change under the new arrangements and whether a review would be undertaken to identify any problems / risks. The Group Director fed back that the fundamental roles of staff members would remain unchanged and that there would be opportunities for staff, should they wish to be considered, to further develop their skills and expertise in areas not currently delivered by the Rhondda Cynon Taf Internal Audit Service, for example, in computer and contract auditing. The Group Director added that potential problems / risks will be managed through thorough implementation arrangements that will involve all staff.

A further query was raised in respect of how much influence Rhondda Cynon Taf has over the Vale of Glamorgan TUPE arrangements. The Group Director reported that TUPE is a legal arrangement that all organisations must comply with and Rhondda Cynon Taf Council will be working closely with the Vale of Glamorgan Council to ensure the implementation process is managed effectively.

Following consideration of the report it was **RESOLVED:-**

1. To acknowledge the information set out in the Cabinet report 'Regional Internal Audit Shared Service' (included as Appendix 1); and
2. To agree that the Audit Committee oversees the required implementation arrangements during 2018/19.

## **10. INTERNAL AUDIT PERFORMANCE**

The Service Director, Performance & Improvement presented the Internal Audit Performance for 2018/19 providing performance information in respect of the Internal Audit Service between 1<sup>st</sup> April 2018 and 30<sup>th</sup> June 2018.

The Service Director confirmed that Appendix 2 to the report provides a summary of the status of all recommendations made by the Internal Audit Service, grouped under the relevant service of the Council. He reported that the Internal Audit Plan currently includes 79 individual audit assignments and, as at the 30<sup>th</sup> June 2018, 13% of the Plan had been completed to report stage.

The Committee was informed that as at 12<sup>th</sup> July 2018, there were no overdue / outstanding recommendations to report.

Following consideration of the report it was **RESOLVED** to note the information.

## **11. FINALISED AUDIT ASSIGNMENTS**

The Service Director, Performance & Improvement presented the finalised audit assignments completed between 18<sup>th</sup> April and 30<sup>th</sup> June 2018 in respect of:-

- Ty Gwyn (Follow up);
- Gwauncelyn Primary School;
- Penpych Community Primary (Follow Up);
- Pontypridd High School (Follow Up);
- Porth Community School (Follow Up);
- Tylorstown Primary School;
- YG Rhydywaun;
- Ysgol Gyfun Garth Olwg (Follow Up);
- Welsh Church Act Fund;
- Single Point of Access;



- Taxation;
- Creditors IR35; and
- Performance Indicators.

The Committee considered the issue of school dinner money arrears and how the debt is collected within individual schools. It was agreed that the application process and take-up of free school meals (FSM's) was one that warranted further scrutiny by the relevant Scrutiny Committee, particularly in respect of how the free school meal entitlement is being reviewed with the introduction of Universal Credit.

The Committee also raised concern with regard to the recruitment and retention of School Governors across the County Borough. They queried whether the current model which prevents County Borough Councillors becoming governors to more than two governing bodies should be relaxed to allow more LEA Governor vacancies to be filled. Members also agreed that this topic should be revisited by the relevant Scrutiny Committee.

The Chair commented that the Committee may find it beneficial, when considering the finalised audit assignments, to have a rating assigned to each individual theme within the audit reviews rather than an overall conclusion for the whole audit. The Committee agreed that this would represent an improvement to the current arrangements.

It was further agreed that an overview of the support provided to schools would be brought before Audit Committee to allow Members the opportunity to form a view on the adequacy and relevance of this work.

Following consideration of the outcomes of the various assignments it was **RESOLVED:-**

1. To note the information contained within the report;
2. That the issue of Free School Meals is referred to the Children & Young People Scrutiny Committee;
3. That the matter of LEA Governor vacancies across the County Borough is referred to the Children & Young People Scrutiny Committee; and
4. That ratings are assigned to each individual theme within finalised audit assignments.

**R.HULL**

**CHAIR**

**The meeting closed at 6.40 p.m.**

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# Rhondda Cynon Taf Council

## Audit Committee - 17<sup>th</sup> September

### Arrangements in place to support the governance of schools

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# Areas to cover

## 1. Some context

- The current standard of internal control within schools
- Key areas for improvement / requiring support

## 2. Support and training arrangements in place

# 1. Some Context - Internal Audit

- Cyclical audits (5 yearly Primaries & 3 yearly Comps)
- Primary Schools – Annual Control Self Assessments
- How we report and who our reports go to...
  - Headteacher, Chair of Governors & Full Governing Body (GB)
  - Requirement for schools to inform Internal Audit when report is presented to GB
  - Relevant Senior Officers within the Council
  - Audit Committee / public documents
- How we track the status of recommendations

# Some Context - Summary of completed audits

Primary Schools		
AUDIT OPINION	16/17 - No. Of Schools	17/18 - No. Of Schools
EFFECTIVE	1	2
EFFECTIVE WITH OPPORTUNITY FOR IMPROVEMENT	20	21
INSUFFICIENT & REQUIRES IMPROVEMENT	0	1
NOT ADEQUATE	0	0
	TOTALS	<u>21</u>
		<u>24</u>

Comprehensive Schools		
AUDIT OPINION	16/17 - No. Of Schools	17/18 - No. Of Schools
EFFECTIVE	0	1
EFFECTIVE WITH OPPORTUNITY FOR IMPROVEMENT	3	4
INSUFFICIENT & REQUIRES IMPROVEMENT	4	2
NOT ADEQUATE	0	0
	TOTALS	<u>7</u>
		<u>7</u>

# Some Context - Follow-up audits requested by Audit Committee

- Audit Committee requested 7 follow ups where original conclusion was 'insufficient and requires improvement'

AUDIT OPINION	No. of Schools
EFFECTIVE	1
EFFECTIVE WITH OPPORTUNITY FOR IMPROVEMENT	3
INSUFFICIENT & REQUIRES IMPROVEMENT	0
NOT ADEQUATE	0
NOT YET FINALISED	3
<b>TOTAL</b>	<u><u>7</u></u>

- Impact of follow up reviews showing, overall, an improving trend

# Some Context - The current standard of internal control within schools

- Overall, sound arrangements in place albeit improvement required in specific areas
- More significant areas for improvement in secondary than primary schools



# Some Context - Key areas for improvement / requiring support

- Areas / themes for improvement identified by Audit Committee and included as thematic reviews in 18/19 audit plan:
  - School Private Fund
  - Purchasing Cards
  - Safeguarding
  - Governance

## 2. Support and training arrangements in place

- Current support arrangements
  - Range of Council support and training in place covering the key areas of business
  - Mix of 1 to 1 support, on-the-job training, formal training sessions and targeted support
  - Guidance documents and procedures in place
  - Designated support officers with relevant expertise
  - Some examples...

# Governance and Safeguarding

- Governors:
  - Full and comprehensive training programme
  - Including mandatory induction training
- Governor Support Service
- Distribution of standard Policies & Procedures e.g. Cwm Taf Safeguarding Children Standard Policy
- Data Protection / Information Management Training & Advice
- Human Resources
  - Pre-employment checks
  - Ongoing employment matters
- Safeguarding Training (Levels 1 to 3)
- Key contacts and protocols in place for reporting safeguarding concerns

# Financial Administration – support and training

- Purchasing Cards
- Council contracts / procurement
- Internal Audit – Advice
- Taxation – VAT & CIS
- IR35 Employment Status
- Payroll
- School Private Fund
- Budgetary control outturns / year end procedures
- Banking procedures
- SIMS Functionality
- 1 to 1 training
- Budget setting in Primary and Special Schools and financial management
- Finance and Budgetary control for governors
- Administration of School Meals / Milk

# A recent development to further improve support arrangements...

- On-line budget monitoring training module
  - Web-based
  - Simultaneous availability to all schools
  - More efficient use of Finance staff time
  - Finance Officers available to support
  - <https://youtu.be/kC9saDDjstU>

# SUMMING UP

- Standard of internal control generally sound albeit specific areas that require improvement
- A range of support and training in place
- Key on-going role of Internal Audit / Audit Committee in monitoring whether required improvements being made

# SOME DISCUSSION POINTS FOR AUDIT COMMITTEE

- Arrangements in place to monitor the implementation of recommendations for schools?
- Adequacy of the overall range of support and training in place?
- Extent that current support and training covers the key areas / themes requiring improvement (School Private Fund, Purchasing Cards, Safeguarding and Governance)
- Other discussion points...?

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**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018/19**

<p><b>AUDIT COMMITTEE</b></p> <p><b>17<sup>th</sup> September 2018</b></p>	<p><b>AGENDA ITEM NO. 5</b></p>
<p><b>REPORT OF THE GROUP DIRECTOR, CORPORATE &amp; FRONTLINE SERVICES</b></p>	<p><b>THE ROLE OF AUDIT COMMITTEE, INTERNAL AUDIT &amp; EXTERNAL AUDIT</b></p> <p><b>INCORPORATING THE DRAFT WORKPLAN FOR 2018/19</b></p>

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

**1. PURPOSE OF THE REPORT**

1.1 The purpose of this report is to:

- Provide Members with an overview of the role of the Audit Committee, Internal Audit and External Audit.
- Set out a draft Workplan for the 2018/19 municipal year (**Appendix 2**) to help enable the Committee to effectively fulfil its Terms of Reference and meet the requirements as included in the recently published CIPFA Practical Guidance Note 2018 (**Appendix 1**).

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Consider the report and determine whether there are other areas / themes where further information is required to aid the effective discharge of Audit Committee's responsibilities.
- 2.2 Review and approve the draft workplan, subject to any amendments, for delivery during the 2018/19 municipal year.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure Audit Committee has a balanced work plan alongside appropriate information and support to help enable the effective discharge of its responsibilities.

### **4. BACKGROUND INFORMATION**

- 4.1 To support the prominent role Audit Committee plays in reviewing and recommending improvements to the Council's governance, internal control and risk management arrangements, a formal approach is in place to report regular up dates to Committee and ensure its Members are provided with necessary information and support.
- 4.2 In line with the above, Audit Committee delivered its agreed workplan during 2017/18 that helped the Committee to form an opinion on the standard of internal control within the Council during this period. In parallel, the 5<sup>th</sup> June 2017 Committee meeting received an overview of the roles of Audit Committee, Internal Audit and External Audit.
- 4.3 The need therefore for Audit Committee Members to be kept fully up to date with new documentation and be provided with opportunities to refresh their knowledge and understanding of existing responsibilities are important and on-going requirements.

### **5. GOOD GOVERNANCE AND THE ROLES OF AUDIT COMMITTEE, INTERNAL AUDIT AND EXTERNAL AUDIT**

#### Good Governance

- 5.1 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; and
  - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 5.2 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.*

- 5.3 Good governance within Rhondda Cynon Taf is ultimately the responsibility of Full Council. Full Council is supported in this role by those with leadership roles and statutory responsibilities along with the accountability arrangements in place in the form of its structure of Committees.

#### Audit Committee

- 5.4 CIPFA's 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition' states that:

- *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.*
- *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.*
- *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.*

- 5.5 A full copy of CIPFA's 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition' has been provided at **Appendix 1**.

- 5.6 The Terms of Reference for the Council's Audit Committee is set out in Part 3 (section 4) of the Council's Constitution. It's overall statement of purpose is to:

*'.....monitor the adequacy of the risk management framework and the associated control environment; provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and to oversee the financial reporting process.'*

#### The roles of Internal and External Audit

- 5.7 When discharging its role, the Audit Committee is supported by the work delivered by Internal Audit and, the appointed External Auditor, the Wales Audit Office. An overview of the roles of Internal Audit and External Audit will be provided to Audit Committee at the meeting.

## **6. DRAFT WORKPLAN 2018/19**

- 6.1 In line with the information included in Section 5, attached at **Appendix 2** is a copy of the draft workplan 2018/19. For Members information, the draft workplan sets out the Audit Committee's Terms of Reference together with a timetable for bringing key reports and information up dates before Committee for review and challenge.
- 6.2 In this way, the draft workplan 2018/19 aims to help Audit Committee to effectively discharge its role and has been compiled in consultation with the External Audit Manager and the Audit Committee Chairperson.

## **7. EQUALITY AND DIVERSITY IMPLICATIONS**

There are no equality and diversity implications as a result of the recommendations set out in the report.

## **8. CONSULTATION**

There are no consultation implications as a result of the recommendations set out in the report.

## **9. FINANCIAL IMPLICATION(S)**

There are no financial implications as a result of the recommendations set out in the report.

## **10. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 10.1 The Local Government (Wales) Measure 2011, Chapter 2 section 81 states:

### ***'Local authorities to appoint audit committees***

1. *A local authority must appoint a committee (an "audit committee") to:*
  - a. *review and scrutinise the authority's financial affairs,*
  - b. *make reports and recommendations in relation to the authority's financial affairs,*
  - c. *review and assess the risk management, internal control and corporate governance arrangements of the authority,*
  - d. *make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,*
  - e. *oversee the authority's internal and external audit arrangements, and*
  - f. *review the financial statements prepared by the authority.*

2. *A local authority may confer on its audit committee such other functions as the authority considers suitable to be exercised by such a committee.*
3. *It is for an audit committee to determine how to exercise its functions.*

**11. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 11.1 The work of the Council's Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan – *The Way Ahead*, in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

- 11.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

**12. CONCLUSION**

- 12.1 The workplan set out at **Appendix 2** of this report provides a plan for the 2018/19 municipal year to allow the Committee to manage and discharge its role in accordance with its Terms of Reference.

**Other Information:-**

***Relevant Scrutiny Committee***  
**Not applicable.**

***Contact Officer*** – Marc Crumbie

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**17<sup>th</sup> September 2018**

**THE ROLE OF AUDIT COMMITTEE, INTERNAL AUDIT & EXTERNAL  
AUDIT, AND INCORPORATING THE DRAFT WORKPLAN FOR 2018/19**

**REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE  
SERVICES**

Author: Marc Crumbie (Head of Internal Audit & Procurement Development  
Programmes)

**Item: 5**

**Background Papers**

None.

Officer to contact: Marc Crumbie



**Appendix 1 – Audit Committees CIPFA Practical Guidance for Local Authorities and Police 2018 Edition**

# audit committees

Practical Guidance for  
Local Authorities and Police  
2018 Edition





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# audit committees

Practical Guidance for  
Local Authorities and Police  
2018 Edition

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**Diana Melville**

Governance Advisor, CIPFA



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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).

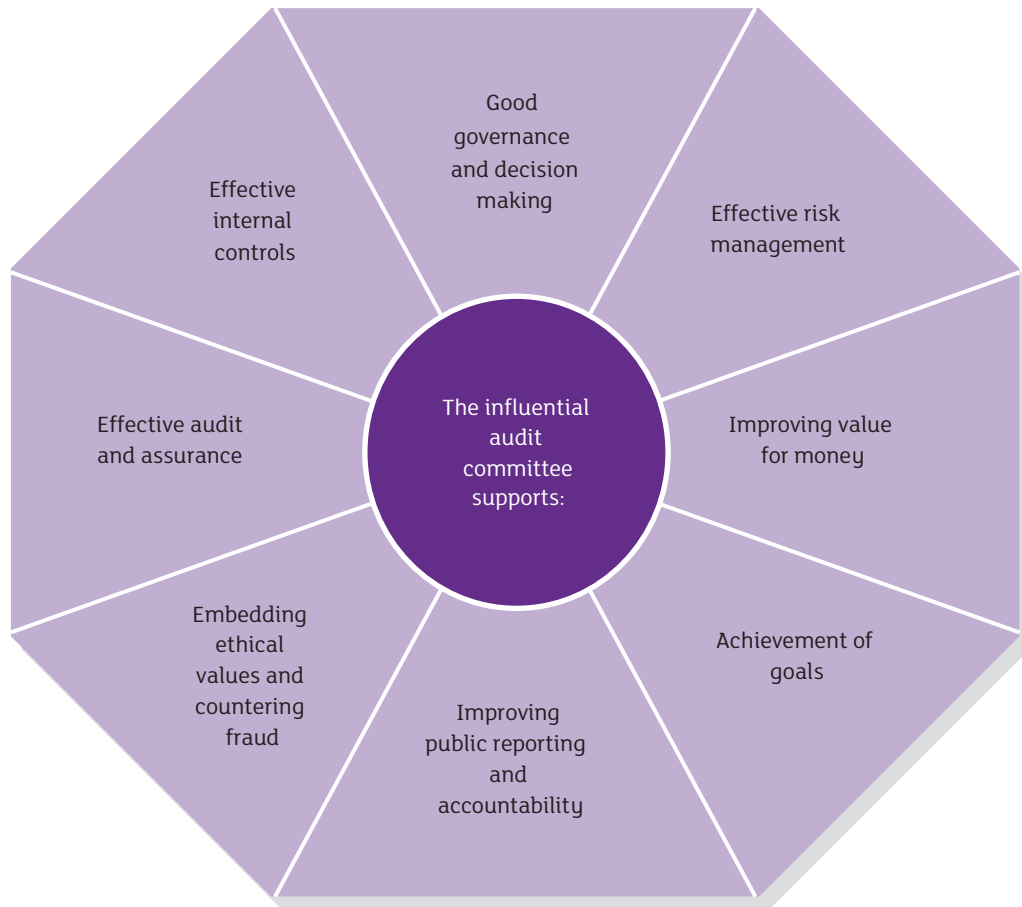
As a key component of an organisation’s governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging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

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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

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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

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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

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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

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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

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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.

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## **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.

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## **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.

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## **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

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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

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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"> <li>Where turnover of membership is very frequent, it will be difficult for the committee to build up experience</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members will be required</li> <li>To enhance continuity the authority could consider recruitment of independent members</li> </ul>
Audit committee members do not feel confident in their knowledge of particular areas	<ul style="list-style-type: none"> <li>Lack of training and support</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced level of support and training to members</li> </ul>
Independent members lack knowledge of the organisation and lack connections with key managers	<ul style="list-style-type: none"> <li>Poor induction</li> <li>Limited opportunities to engage with the organisation outside formal meetings</li> </ul>	<ul style="list-style-type: none"> <li>Improve induction</li> <li>Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding</li> </ul>
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion	<ul style="list-style-type: none"> <li>Lack of experience or skill in managing meetings by the chair</li> <li>Committee members are unsure about their role</li> <li>Poor support from the committee secretary</li> </ul>	<ul style="list-style-type: none"> <li>Training and support</li> <li>Develop a mentoring/coaching programme</li> <li>Chair seeks feedback from meeting participants</li> <li>Consider skills and experience in the selection of the chair</li> <li>Provide training and guidance to committee members on their role</li> <li>Improve committee support</li> </ul>
The audit committee spends too much time on minor areas rather than strategic or wide-ranging issues	<ul style="list-style-type: none"> <li>Agenda management fails to prioritise key areas</li> <li>The chair does not intervene to keep focus at an appropriate level</li> </ul>	<ul style="list-style-type: none"> <li>Review the process of agenda development</li> <li>Review the terms of reference and provide training</li> <li>The chair seeks feedback from meeting participants</li> <li>Provide the chair with committee management training</li> </ul>
The audit committee is little known or understood in many parts of the authority	<ul style="list-style-type: none"> <li>The audit committee fails to engage with many parts of the authority</li> <li>Attendance is often limited to the CFO and the head of internal audit</li> </ul>	<ul style="list-style-type: none"> <li>Expand attendance at audit committee meetings. For example, invite heads of service when major risks or control issues are being discussed</li> </ul>

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"> <li>■ Lack of feedback or reporting arrangements</li> </ul>	<ul style="list-style-type: none"> <li>■ Invite newly elected members to attend audit committee meetings</li> <li>■ Review reporting arrangements</li> <li>■ Consider an annual report that sets out how the committee has fulfilled its responsibilities</li> </ul>
Recommendations made by the audit committee are not actioned	<ul style="list-style-type: none"> <li>■ Poor relationship between the committee and the executive or senior officers</li> <li>■ The audit committee's recommendations are not adequately aligned to organisational objectives</li> </ul>	<ul style="list-style-type: none"> <li>■ A senior officer provides internal facilitation to support improved relationships</li> <li>■ Improve knowledge and skills among audit committee members</li> <li>■ Ensure better engagement with appropriate managers or the executive at an earlier stage</li> </ul>
The audit committee fails to make recommendations or follow up on issues of concern	<ul style="list-style-type: none"> <li>■ A weak or inexperienced chair</li> <li>■ Members are inexperienced or do not fully understand their role</li> <li>■ Poor briefing arrangements prior to meetings</li> <li>■ Committee reports fail to adequately identify the action required by the committee</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide guidance and support</li> <li>■ Improve briefing to the chair prior to the meeting</li> <li>■ Ensure reports contain clear recommendations</li> </ul>
The audit committee strays beyond its terms of reference, for example undertaking a scrutiny role	<ul style="list-style-type: none"> <li>■ The terms of reference do not adequately scope the work of the committee</li> <li>■ Misunderstanding about the role of the committee</li> <li>■ Inadequate guidance from committee secretary to the chair on its role</li> </ul>	<ul style="list-style-type: none"> <li>■ Review the terms of reference and provide training and guidance</li> </ul>

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"> <li>■ Lack of understanding about the role of the committee</li> </ul>	<ul style="list-style-type: none"> <li>■ Seek feedback from those interacting with the committee or external assessment</li> <li>■ Provide support for or training for the chair</li> <li>■ Consider the inclusion or role of independent members</li> </ul>
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"> <li>■ Lack of understanding about the role of the committee</li> <li>■ Differing perceptions on the value of the committee</li> <li>■ Personality clashes</li> </ul>	<ul style="list-style-type: none"> <li>■ Review the terms of reference and provide training and guidance</li> <li>■ A senior officer provides internal facilitation to support improved relationships</li> <li>■ Seek an external assessment or facilitation</li> <li>■ Change the chair or membership, if the constitution or opportunity arises</li> </ul>

## 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"> <li>Required</li> </ul>	<ul style="list-style-type: none"> <li>Required</li> </ul>	<ul style="list-style-type: none"> <li>Required</li> <li>It is recommended that this should be a combined body for both PCC and chief constable</li> </ul>	<ul style="list-style-type: none"> <li>No guidance</li> </ul>
Composition of the audit committee	<ul style="list-style-type: none"> <li>Committees must have at least one independent person as defined by guidance</li> <li>The committee should reflect the political balance of the constituent authorities, as far as is reasonably practical</li> <li>The committee may not include an officer of the combined authority or a constituent council</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Police audit committees should comprise between three and five members who are independent of the PCC and the force (where applicable)</li> </ul>	<ul style="list-style-type: none"> <li>No guidance</li> </ul>

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"> <li>■ Cities and Local Government Devolution Act 2016</li> <li>■ Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016</li> </ul>	<ul style="list-style-type: none"> <li>■ Local Government (Wales) Measure 2011 Statutory Guidance from the Local Government Measure 2011</li> </ul>	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)

<b>Relevant government guidance</b>	Accounts and Audit (England) Regulations 2015
<b>Governance and risk management arrangements</b>	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>
<b>Authority’s financial affairs and financial statements</b>	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
<b>Review of effectiveness of system of internal control</b>	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
<b>Approval of annual governance statements</b>	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
<b>Internal audit</b>	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

<b>Relevant government guidance</b>	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018
<b>Governance and risk management arrangements</b>	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>
<b>Financial affairs and financial statements</b>	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
<b>Review of effectiveness of system of internal control</b>	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
<b>Approval of annual governance statements</b>	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices
<b>Internal audit</b>	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
<b>Review of effectiveness of internal audit</b>	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 <a href="#">Local Government Measure (Wales) 2011</a> has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

## Local authorities in Scotland

<b>Relevant government guidance</b>	Local Authority Accounts (Scotland) Regulations 2014
<b>Governance and risk management arrangements</b>	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>
<b>Financial affairs and financial statements</b>	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
<b>Review of effectiveness of system of internal control</b>	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>

<b>Approval of annual governance statements</b>	Regulation 5 relates to the approval of an AGS prepared in accordance with proper practices in relation to internal control
<b>Internal audit</b>	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
<b>Review of effectiveness of internal audit</b>	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

<b>Relevant government guidance</b>	Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
<b>Governance and risk management arrangements</b>	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
<b>Authority's financial affairs and financial statements</b>	Regulation 5 relates to accounting records and control systems Regulations 7 and 8 relate to the statement of accounts
<b>Review of effectiveness of system of internal control</b>	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
<b>Approval of annual governance statements</b>	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 <a href="#">2016 Framework</a>
<b>Internal audit</b>	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

<b>Relevant government guidance</b>	Accounts and Audit (England) Regulations 2015 – see also the statutory guidance <a href="#">Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</a> (Home Office, 2013 – due to be updated in 2018)
<b>Governance and risk management arrangements</b>	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>
<b>Authority’s financial affairs and financial statements</b>	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
<b>Review of effectiveness of system of internal control</b>	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
<b>Approval of annual governance statements</b>	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
<b>Internal audit</b>	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

<b>Relevant government guidance</b>	Accounts and Audit Regulations (Wales) 2014 and the <a href="#">Accounts and Audit (Wales) (Amendment) Regulations 2018</a> – see also the FMCP
<b>Governance and risk management arrangements</b>	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>
<b>Financial affairs and financial statements</b>	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
<b>Review of effectiveness of system of internal control</b>	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
<b>Approval of annual governance statements</b>	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices

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<b>Internal audit</b>	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
<b>Review of effectiveness of internal audit</b>	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

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# Suggested terms of reference – local authorities and police

## INTRODUCTION

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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

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### 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

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



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"> <li>■ An awareness of the key principles of the PSIAS and the LGAN</li> <li>■ 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</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. 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> <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 accounting (Chapter 4)	<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>■ Understanding of good financial management principles</li> <li>■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by <a href="#">The Role of the Chief Financial Officer in Local Government (CIPFA, 2016)</a> and the <a href="#">CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)</a></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 the role of the CFO and how this is met when reviewing the AGS</li> </ul>
External audit (Chapter 4)	<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>■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee should meet with the external auditor regularly and receive their reports and opinions</li> <li>■ Monitoring external audit recommendations and maximising benefit from 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>

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"> <li>■ Understanding of the principles of risk management, including linkage to 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> </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 and should also have awareness of the major risks the authority faces</li> <li>■ 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</li> <li>■ The committee should also review reports and action plans to develop the application of risk management practice</li> </ul>
Counter fraud (Chapter 4)	<ul style="list-style-type: none"> <li>■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</li> <li>■ Knowledge of the principles of good fraud risk management practice in accordance with the <a href="#">Code of Practice on Managing the Risk of Fraud and Corruption</a> (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>
Values of good governance (Chapter 5)	<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</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>

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"> <li>■ <b>Effective Scrutiny of Treasury Management</b> 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> <li>■ See also <b>Treasure Your Assets</b> (CfPS, 2017)</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>

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

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"> <li>Project management qualifications or practical knowledge of project management principles</li> </ul>	<ul style="list-style-type: none"> <li>Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews</li> </ul>
IT systems and IT governance	<ul style="list-style-type: none"> <li>Knowledge gained from management or development work in IT</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls</li> </ul>

## 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"> <li>Able to focus on material issues and overall position, rather than being side tracked by detail</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>
Questioning and constructive challenge	<ul style="list-style-type: none"> <li>Able to frame questions that draw out relevant facts and explanations</li> <li>Challenging performance and seeking explanations while avoiding hostility or grandstanding</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>
Focus on improvement	<ul style="list-style-type: none"> <li>Ensuring there is a clear plan of action and allocation of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken</li> </ul>
Able to balance practicality against theory	<ul style="list-style-type: none"> <li>Able to understand the practical implications of recommendations to understand how they might work in practice</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee should seek assurances that planned actions are practical and realistic</li> </ul>

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"> <li>■ Support the use of plain English in communications, avoiding jargon, acronyms, etc</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>
Objectivity	<ul style="list-style-type: none"> <li>■ Evaluate information on the basis of evidence presented and avoiding bias or subjectivity</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>
Meeting management skills	<ul style="list-style-type: none"> <li>■ Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>



# 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
<b>Audit committee purpose and governance</b>				
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?			
<b>Functions of the committee</b>				
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"> <li>■ counter fraud and corruption</li> </ul>			
	<ul style="list-style-type: none"> <li>■ supporting the ethical framework</li> </ul>			
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"> <li>■ separation from the executive</li> <li>■ an appropriate mix of knowledge and skills among the membership</li> <li>■ a size of committee that is not unwieldy</li> <li>■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>			
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
<b>Effectiveness of the committee</b>				
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"> <li>■ Supporting the development of a local code of governance</li> <li>■ Providing robust review of the AGS and the assurances underpinning it</li> <li>■ Working with key members/PCC and chief constable to improve their understanding of the AGS and their contribution to it</li> <li>■ Supporting reviews/audits of governance arrangements</li> <li>■ Participating in self-assessments of governance arrangements</li> <li>■ Working with partner audit committees to review governance arrangements in partnerships</li> </ul>		
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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"> <li>■ Actively monitoring the implementation of recommendations from auditors</li> <li>■ Encouraging ownership of the internal control framework by appropriate managers</li> <li>■ Raising significant concerns over controls with appropriate senior managers</li> </ul>		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> <li>■ Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking</li> <li>■ Monitoring improvements</li> <li>■ Holding risk owners to account for major/strategic risks</li> </ul>		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> <li>■ Specifying its assurance needs, identifying gaps or overlaps in assurance</li> <li>■ Seeking to streamline assurance gathering and reporting</li> <li>■ Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit</li> </ul>		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<ul style="list-style-type: none"> <li>■ Reviewing the audit charter and functional reporting arrangements</li> <li>■ Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements</li> <li>■ Actively supporting the quality assurance and improvement programme of internal audit</li> </ul>		

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"> <li>■ Reviewing how the governance arrangements support the achievement of sustainable outcomes</li> <li>■ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place</li> <li>■ Reviewing the effectiveness of performance management arrangements</li> </ul>		
Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> <li>■ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee</li> <li>■ Considering how performance in value for money is evaluated as part of the AGS</li> </ul>		
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"> <li>■ Reviewing arrangements against the standards set out in the <a href="#">Code of Practice on Managing the Risk of Fraud and Corruption</a> (CIPFA, 2014)</li> <li>■ Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</li> <li>■ Assessing the effectiveness of ethical governance arrangements for both staff and governors</li> </ul>		

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"> <li>■ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English</li> <li>■ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency</li> <li>■ Publishing an annual report from the committee</li> </ul>		

## Appendix 2 – Audit Committee’s workplan linked to its Terms of Reference.

### Statement of Purpose

The purpose of the Audit Committee is to monitor the adequacy of the risk management framework and the associated control environment; provide independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment; and to oversee the financial reporting process.

### Terms of Reference

As a key element of new arrangements for corporate governance, designed to ensure openness, integrity and accountability, the Committee will assist the Authority in discharging its responsibility for ensuring financial probity, without taking any action which might prejudice it. The Committee will:-

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
A	At the first meeting of the Audit Committee following the Council’s Annual General Meeting the Audit Committee shall appoint the Chair of the Audit Committee (who cannot be a member who belongs to a group with Members in the Executive but can be a lay member) and appoint the Vice-Chair of the Audit Committee.	X	X					
B	Review and recommend for certification the Annual Governance Statement			X DRAFT Local Code of Corporate Governance, incorporating an overview of the 7 Principles	X Receive an update in respect of progress made to implement the proposals for improvement			X Draft AGS 2018/19



		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
					contained within the 2017/18 Annual Governance Statement			
C	Review, approve and ensure the co-ordination of the Annual Internal Audit Plan for the coming financial year						X Receive an overview of the sources of assurance in place across the Council (The Council's 'Assurance Map')  X Draft Internal Audit Plan 2019/20	
D	Review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs, and providing the opportunity for direct discussion with the auditor(s) on these			X Receive an overview of the governance arrangements in place in respect of the Council's core financial systems: Treasury Management function.				

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
E	Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these		X Arrangements in place to support schools	X Receive an overview of the Council's Insurance Function, in particular how it supports the Council's Risk Management arrangements.	X Updated Risk Management Strategy  X An overview of the term 'Internal Control Environment' incorporating a case study – Agile Working	X An overview of Risk Management arrangements in place in respect of 'Projects'  X An overview of the Public Services Network (PSN) audit, along with the reported outcomes.		X An overview of the governance arrangement in place in respect of Partnerships
F	To receive reports on the performance of the Internal Audit Service throughout the year particularly in relation to matters of financial probity and corporate governance	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments  X Draft Audit Charter 2019/20	X Standard Performance Report & Finalised Assignments
G	Oversee the Authority's audit arrangements (both internal and external)		X Role of Audit Committee, Internal Audit & External Audit. Incorporating the DRAFT Workplan for				X Audit Committee Annual Report, incorporating a self assessment against the	

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
			2018/19				CIPFA 2018 Practical Guidance Note.	
		When relevant, receive an update in respect of the work taking place to deliver a Regional Internal Audit Shared Service with effect from 1 <sup>st</sup> April 2019						
H	Review and comment on the Authority's certified draft financial statements before their approval by Council	X DRAFT Statement of Accounts						X Provide an overview of the accounting polices that must be complied with when compiling the Council's Draft 2018/19 Statement of Accounts
I	To receive and consider the Head of Internal Audit's Annual Report and opinion on the level of assurance it can give over the Authority's governance arrangements and associated internal control environment						X Internal Audit End of Year Performance Report (incorporated into the Head of Internal Audit Annual Report)	
J	To receive and consider reports of the External Auditor in relation to matters of financial probity and corporate governance and	As and when relevant final reports are provided to the Council by its External Regulators these will be reported to Audit Committee. These reports will be provided to ensure that they can be used when forming an opinion at the end of the financial year in respect of the Council's overall governance arrangements.						

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
	providing the opportunity for direct discussion with the auditor(s) on these	X WAO Workplans for 2018/19		X Detailed Report on the Financial Statements Audit 2017-18		X Financial Audit Plan		
K	Act as a point of arbitration, where senior officers of the Authority are unable to agree significant audit report recommendations	As and when required.						
L	Receive ad hoc reports on any significant matters involving fraud, theft or other appropriate matters in breach of the Authority's Financial Procedure Rules and Contract Procedure rules, as part of the development of an anti-fraud culture			X Receive an overview of the National Fraud Initiative, along with an update on the work delivered by the Corporate Fraud Team.			X Anti-Fraud, Bribery & Corruption - Annual Report 2018/19  X Whistleblowing - Annual Report 2018/19	
M	To receive reports in relation to proposed changes to the Authority's Contract Procedure Rules and Financial Procedure Rules and where deemed appropriate, recommend their approval to Council				X Updated Financial Procedure Rules			
N	Promote and review any measures designed to raise the profile of probity within the					X Receive the outcomes of the		

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
	Authority					staff survey, specifically in relation to awareness of the Council's Whistleblowing & Anti-Fraud Arrangements.		
O	Consider national reports, for example, from the Wales Audit Office, of relevance to the work of the Authority	As and when relevant final reports are provided to the Council by its External Regulators these will be reported to Audit Committee. These reports will be provided to ensure that they can be used when forming an opinion at the end of the financial year in respect of the Council's overall governance arrangements.						
P	Agree, where Committee Members deem it appropriate, that a matter arising from a written report to a Committee which requires further clarification may be either dealt with by a request for a written commentary from the appropriate Group Director, or by that Group Director or their senior representative, attending to answer questions in person on that specific matter. Alternatively, the Audit Committee can refer the matter to the relevant Scrutiny Committee.	As and when required						
Q	The committee may require members and officers of the Authority to attend before it to answer questions. Such members and officers have a	As and when required						

		<b>12/07/2018</b>	<b>17/09/2018</b>	<b>05/11/2018</b>	<b>17/12/2018</b>	<b>04/02/2019</b>	<b>25/03/2019</b>	<b>29/04/2019</b>
	duty to comply but are not obliged to answer any questions that may be refused in court proceedings in England and Wales. The Committee may invite other persons to attend the meeting.							

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018/19**

<p><b>AUDIT COMMITTEE</b></p> <p><b>17<sup>th</sup> September 2018</b></p>	<p><b>AGENDA ITEM NO. 6</b></p>
<p><b>REPORT OF THE GROUP DIRECTOR, CORPORATE &amp; FRONTLINE SERVICES</b></p>	<p><b>INTERNAL AUDIT PERFORMANCE 2018/19</b></p>

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

**1. PURPOSE OF THE REPORT**

1.1 This report provides the performance information in respect of the Internal Audit Service between 1<sup>st</sup> April 2018 and 4<sup>th</sup> September 2018.

**2. RECOMMENDATIONS**

It is recommended that Members:

2.1 Review the information contained within the report and identify whether there are any areas where specific issues are of concern.

2.2 Consider what comments and recommendations, if any, they wish to make.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To help ensure that Audit Committee monitors the performance of the Council's Internal Audit Service, in accordance with its Terms of Reference.

**4. BACKGROUND**

4.1 The Audit Committee Terms of Reference (Point F) requires it 'To receive reports on the performance of the Internal Audit Service throughout the year particularly in relation to matters of financial probity and corporate governance'.

- 4.2 In line with this requirement Appendix 1 sets out the Internal Audit Plan for 2018/19 and includes the status of each audit, the quarter in which the audit is/was planned to commence and incorporates the detailed performance information for each audit.
- 4.3 The Internal Audit Plan currently includes 79 individual audit assignments and, as at 4<sup>th</sup> September 2018, 25% of the Plan had been completed to report stage. The detailed breakdown of the status of each review is provided in **Appendix 1** and is summarised as follows:

<b>Status</b>	<b>No. Of Audits</b>
Final Reports Issued	7
Draft Reports Issued	13
Fieldwork Complete	5
Audits In Progress	7
Audits Not Yet Started ('Planned')	47
<b>Total:</b>	<b>79</b>

- 4.4 **Appendix 2** provides a summary of the status of all recommendations made by the Internal Audit Service, grouped under the relevant service of the Council. A verbal update in respect of the status of the outstanding recommendations shown in Appendix 2 will be provided at the meeting.

**5. EQUALITY AND DIVERSITY IMPLICATIONS**

There are no equality and diversity implications as a result of the recommendations set out in the report.

**6. CONSULTATION**

There are no consultation implications as a result of the recommendations set out in the report.

**7. FINANCIAL IMPLICATION(S)**

There are no financial implications as a result of the recommendations set out in the report.

**8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 8.1 The provision of regular information in respect of the Council's Internal Audit Service supports the Council in demonstrating compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.



8.2 Regulation 7 (Internal Audit) of Part 3 of the 2018 Regulations directs that: “A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.”

**9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

THE COUNCIL’S CORPORATE PLAN PRIORITIES

9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council’s Corporate Plan – *The Way Ahead*, in particular ‘Living Within Our Means’ through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

9.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

**10. CONCLUSION**

10.1 Monitoring the performance of Internal Audit is a key responsibility for Audit Committee. This report provides Audit Committee with detailed information with which the performance of the Service can be reviewed and scrutinised.

**Other Information:-**

***Relevant Scrutiny Committee***  
**Not applicable.**

**Contact Officer** – Marc Crumbie

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**17<sup>th</sup> September 2018**

**INTERNAL AUDIT PERFORMANCE 2018/19**

**REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES**

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

**Item: 6**

**Background Papers**

None.

Officer to contact: Marc Crumbie

## Appendix 1 - Monitoring the Internal Audit Plan 2018/19

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>CHIEF EXECUTIVE</b>											
<b>HUMAN RESOURCES</b>											
RECRUITMENT - PRE EMPLOYMENT CHECKS	High	QTR 3	Planned				0		0		0
SICKNESS ABSENCE MANAGEMENT - SCHOOLS	High	QTR 3	Planned				0		0		0
<b>LEGAL AND DEMOCRATIC SERVICES</b>											
CASE MANAGEMENT	Medium	QTR 3	Planned				0		0		0
<b>REGENERATION &amp; PLANNING</b>											
HOUSING GRANTS	High	QTR 2	In Progress	31/08/2018			0		0		0
COMMUNITY INFRASTRUCTURE LEVY	High	QTR 2	Planned				0		0		0
HOMELESSNESS GRANT	High	QTR 1	Final Report	04/06/2018	31/07/2018	31/07/2018	0	06/08/2018	6	06/08/2018	0
<b>COMMUNITY &amp; CHILDREN'S SERVICES</b>											
<b>CHILDREN'S SERVICES</b>											

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>PAYMENTS TO FOSTER CARERS</b>	High	QTR 2	Fieldwork Complete	15/06/2018	21/08/2018		0		0		0
<b>CONTACT SERVICE</b>	Medium	QTR 2	Planned				0		0		0
<b>ADOPTION SUPPORT PAYMENTS</b>	High	QTR 1	Draft Report	04/12/2017	22/06/2018	29/06/2018	7		0		0
<b>YOUTH OFFENDING SERVICE</b>	Medium	QTR 3	Planned				0		0		0
<b>CONTRACT MANAGEMENT - PLACEMENTS</b>	High	QTR 4	Planned				0		0		0
<b>ADULT SERVICES</b>											
<b>DIRECT PAYMENTS</b>	High	QTR 3	Planned				0		0		0
<b>THE REVIEW TEAM</b>	Medium	QTR 4	Planned				0		0		0
<b>THE PANEL PROCESS</b>	High	QTR 2	In Progress	26/04/2018			0		0		0
<b>SUPPORTED LIVING</b>	High	QTR 3	Planned				0		0		0
<b>PUBLIC HEALTH, PROTECTION &amp; COMMUNITY SERVICES</b>											
<b>REGISTRATION SERVICES</b>	Low	QTR 3	Planned				0		0		0
<b>LLWYDCOED CREMATORIUM</b>	Low	QTR 2	Fieldwork Complete	09/08/2018	14/08/2018		0		0		0

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
GLYNTAF CREMATORIUM	Low	QTR 4	Planned				0		0		0
ENGAGEMENT, INTERVENTION & PREVENTION	High	QTR 3	Planned				0		0		0
BROKER SERVICE	High	QTR 3	Planned				0		0		0
<b>CORPORATE &amp; FRONTLINE SERVICES</b>											
IT											
DISASTER RECOVERY - FOLLOW UP	High	QTR 2	Planned				0		0		0
<b>CORPORATE ESTATES &amp; PROCUREMENT</b>											
LEGIONELLA MANAGEMENT	High	QTR 1	In Progress	09/05/2018			0		0		0
21 <sup>ST</sup> CENTURY SCHOOLS - CAPITAL PROJECT	High	QTR 3	Planned				0		0		0
ENERGY MANAGEMENT	High	QTR 2	In Progress	20/08/2018			0		0		0
<b>FINANCIAL SERVICES</b>											
GENERAL LEDGER	High	QTR 3	Planned				0		0		0
TAXATION	High	QTR 3	Planned				0		0		0

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>ADMINISTRATION OF TRUST FUNDS</b>	Low	QTR 3	Planned				0		0		0
<b>TREASURY MANAGEMENT</b>	High	QTR 3	Planned				0		0		0
<b>CREDITORS – IR35</b>	High	QTR 1	Final Report	16/02/2018	30/03/2018	16/05/2018	47	22/06/2018	37	29/06/2018	7
<b>PENSIONS</b>	High	QTR 1	Fieldwork Complete	14/05/2018	28/08/2018		0		0		0
<b>INCOME, DEBTORS &amp; DEBT RECOVERY</b>	High	QTR 1	Draft Report	15/03/2018	31/05/2018	29/06/2018	29		0		0
<b>HIGHWAYS &amp; STREETCARE</b>											
<b>WASTE SERVICES</b>	High	QTR 4	Planned				0		0		0
<b>HIGHWAYS - CAPITAL PROGRAMME</b>	High	QTR 4	Planned				0		0		0
<b>EDUCATION &amp; LIFELONG LEARNING</b>											
<b>MIDDLE SCHOOLS</b>											
<b>YSGOL LLANHARI FOLLOW UP</b>	High	QTR 4	Planned				0		0		0
<b>SECONDARY SCHOOLS</b>											
<b>MOUNTAIN ASH COMPREHENSIVE SCHOOL</b>	High	QTR 1	Fieldwork Complete	02/07/2018	06/07/2018		0		0		0

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
TREORCHY COMPREHENSIVE SCHOOL	High	QTR 1	Draft Report	11/06/2018	02/07/2018	31/07/2018	29		0		0
Y PANT FOLLOW UP	High	QTR 1	Draft Report	05/03/2018	26/03/2018	11/05/2018	46		0		0
ABERDARE COMMUNITY SCHOOL	High	QTR 3	Planned				0		0		0
YSGOL GYFUN GARTH OLWG FOLLOW UP	High	QTR 1	Final Report	27/03/2018	11/04/2018	23/04/2018	12	30/04/2018	7	15/05/2018	15
HAWTHORN HIGH SCHOOL FOLLOW UP	High	QTR 1	Draft Report	26/02/2018	20/03/2018	06/06/2018	78		0		0
YSGOL GYFUN CWM RHONDDA	High	QTR 1	Fieldwork Complete	25/06/2018	29/06/2018		0		0		0
TONYPANDY COMMUNITY COLLEGE	High	QTR 4	Planned				0		0		0
<b>PRIMARY SCHOOLS</b>											
CWMBACH COMMUNITY PRIMARY SCHOOL	Medium	QTR 1	Final Report	07/06/2018	21/06/2018	27/06/2018	6	11/07/2018	14	25/07/2018	14
CAEGARW PRIMARY SCHOOL	Medium	QTR 1	Draft Report	05/07/2018	01/08/2018	09/08/2018	8		0		0
CAPCOCH PRIMARY SCHOOL	Medium	QTR 1	Draft Report	18/06/2018	25/06/2018	30/08/2018	66		0		0
CARADOG PRIMARY SCHOOL	Medium	QTR 1	Draft Report	07/06/2018	08/06/2018	29/06/2018	21		0		0
CWMDAR PRIMARY SCHOOL	Medium	QTR 1	Draft Report	03/07/2018	04/07/2018	09/08/2018	36		0		0

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
CWMLAI PRIMARY SCHOOL	Medium	QTR 3	Planned				0		0		0
DARRENLAS PRIMARY SCHOOL	Medium	QTR 1	Final Report	12/07/2018	13/07/2018	31/07/2018	18	13/08/2018	13	16/08/2018	3
GELLI PRIMARY SCHOOL	Medium	QTR 1	Draft Report	10/07/2018	11/07/2018	16/08/2018	36		0		0
HAWTHORN PRIMARY SCHOOL	Medium	QTR 1	Draft Report	12/06/2018	14/06/2018	16/08/2018	63		0		0
HIRWAUN PRIMARY SCHOOL	Medium	QTR 1	Draft Report	20/06/2018	21/06/2018	30/08/2018	70		0		0
LLWYNCRWN PRIMARY SCHOOL	Medium	QTR 3	Planned				0		0		0
MISKIN PRIMARY SCHOOL	Medium	QTR 3	Planned				0		0		0
PARC PRIMARY SCHOOL	Medium	QTR 3	Planned				0		0		0
PARCLEWIS PRIMARY SCHOOL	Medium	QTR 3	Planned				0		0		0
PRIMARY SCHOOL SELF ASSESSMENT REPORT 17/18	Medium	QTR 1	Final Report	10/04/2018	11/04/2018	18/07/2018	98	18/07/2018	0	18/07/2018	0
YGG LLWYNCELYN	Medium	QTR 3	Planned				0		0		0
GLYNHAFOD JUNIOR	Medium	QTR 3	Planned				0		0		0
PRIMARY SCHOOL SELF ASSESSMENT REPORT 18/19	Medium	QTR 4	Planned				0		0		0



	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>SCHOOLS &amp; COMMUNITY</b>											
POST 16 PLANNING & FUNDING 2017/18	High	QTR 1	Final Report	06/11/2017	04/05/2018	21/05/2018	17	17/08/2018	88	21/08/2018	4
POST 16 PLANNING & FUNDING 2018/19	High	QTR 3	Planned				0		0		0
POST 16 GRANT	High	QTR 4	Planned				0		0		0
EARLY YEARS PROVISION	High	QTR 3	Planned				0		0		0
EDUCATION IMPROVEMENT GRANT	High	QTR 2	In Progress	02/07/2018			0		0		0
<b>ACCESS &amp; ENGAGEMENT &amp; INCLUSION</b>											
IN YEAR TRANSFER PROTOCOLS	High	QTR 2	In Progress	29/05/2018			0		0		0
<b>THEMATIC REVIEWS - COMPREHENSIVE SCHOOLS</b>											
SCHOOL PRIVATE FUNDS	High	QTR 3	Planned				0		0		0
PURCHASE CARDS	High	QTR 3	Planned				0		0		0
SAFEGUARDING ARRANGEMENTS	High	QTR 3	Planned				0		0		0
GOVERNANCE ARRANGEMENTS	High	QTR 3	Planned				0		0		0

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>WHOLE AUTHORITY ARRANGEMENTS</b>											
<b>PERFORMANCE INDICATORS</b>	High	QTR 2	In Progress	01/08/2018			0		0		0
<b>OPERATIONAL RISK MANAGEMENT</b>	High	QTR 4	Planned				0		0		0
<b>ORGANISED CRIME REVIEW</b>	High	QTR 1	Draft Report	13/12/2017	11/06/2018	29/06/2018	18		0		0
<b>DIGITALISATION</b>	High	QTR 3	Planned				0		0		0
<b>COMMERCIALISATION</b>	High	QTR 3	Planned				0		0		0
<b>INDEPENDENCE</b>	High	QTR 3	Planned				0		0		0
<b>EARLY INTERVENTION &amp; PREVENTION</b>	High	QTR 4	Planned				0		0		0
<b>EFFICIENT &amp; EFFECTIVE ORGANISATION</b>	High	QTR 4	Planned				0		0		0
<b>ANTI-FRAUD, BRIBERY &amp; CORRUPTION</b>	High	QTR 3	Planned				0		0		0

## Appendix 2 - The Status of Recommendations

### CHIEF EXECUTIVE

<b>Number of HIGH Recs</b>	<b>STATUS</b>		
11	Implemented	Overdue / Outstanding	Target Date in the Future
	11	0	0
<b>Number of MEDIUM Recs</b>	<b>STATUS</b>		
66	Implemented	Overdue / Outstanding	Target Date in the Future
	66	0	0
<b>Number of LOW Recs</b>	<b>STATUS</b>		
48	Implemented	Overdue / Outstanding	Target Date in the Future
	48	0	0

### COMMUNITY & CHILDREN'S SERVICES

<b>Number of HIGH Recs</b>	<b>STATUS</b>		
20	Implemented	Overdue / Outstanding	Target Date in the Future
	20	0	0
<b>Number of MEDIUM Recs</b>	<b>STATUS</b>		
135	Implemented	Overdue / Outstanding	Target Date in the Future
	135	0	0
<b>Number of LOW Recs</b>	<b>STATUS</b>		
87	Implemented	Overdue / Outstanding	Target Date in the Future
	87	0	0

**CORPORATE & FRONTLINE SERVICES**

<b>Number of HIGH Recs</b>	<b>STATUS</b>		
32	Implemented	Overdue / Outstanding	Target Date in the Future
	26	1	5
<b>Number of MEDIUM Recs</b>	<b>STATUS</b>		
90	Implemented	Overdue / Outstanding	Target Date in the Future
	87	1	2
<b>Number of LOW Recs</b>	<b>STATUS</b>		
42	Implemented	Overdue / Outstanding	Target Date in the Future
	42	0	0

**EDUCATION & LIFELONG LEARNING**

<b>Number of HIGH Recs</b>	<b>STATUS</b>		
247	Implemented	Overdue / Outstanding	Target Date in the Future
	240	2	5
<b>Number of MEDIUM Recs</b>	<b>STATUS</b>		
700	Implemented	Overdue / Outstanding	Target Date in the Future
	681	11	8
<b>Number of LOW Recs</b>	<b>STATUS</b>		
565	Implemented	Overdue / Outstanding	Target Date in the Future
	552	7	6

**WHOLE AUTHORITY ARRANGEMENTS**

<b>Number of HIGH Recs</b>	<b>STATUS</b>		
6	Implemented	Overdue / Outstanding	Target Date in the Future
	4	2	0
<b>Number of MEDIUM Recs</b>	<b>STATUS</b>		
9	Implemented	Overdue / Outstanding	Target Date in the Future
	8	0	1
<b>Number of LOW Recs</b>	<b>STATUS</b>		
0	Implemented	Overdue / Outstanding	Target Date in the Future
	0	0	0

Tudalen wag

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018/19**

<p><b>AUDIT COMMITTEE</b> <b>17<sup>th</sup> September 2018</b></p>	<p><b>AGENDA ITEM NO. 7</b></p>
<p><b>REPORT OF THE GROUP DIRECTOR, CORPORATE &amp; FRONTLINE SERVICES</b></p>	<p><b>FINALISED AUDIT ASSIGNMENTS</b></p>

Author: Marc Crumie (Head of Internal Audit & Procurement Development Programmes)

**1. PURPOSE OF THE REPORT**

- 1.1 This report provides Members with a summary of audit assignments completed between 1<sup>st</sup> July 2018 and 4<sup>th</sup> September 2018.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Seek clarity and explanation where there are areas of concern.  
2.2 Identify further action to be taken where deemed necessary.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To help ensure that Audit Committee discharges its responsibilities in respect of reviewing and forming an opinion on the overall control environment in place across the Council.

**4. BACKGROUND**

- 4.1 The Audit Committee Terms of Reference (Point D) requires it to '*Review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs, and providing the opportunity for direct discussion with the auditor(s) on these*'.

- 4.2 In line with this requirement **Appendix 1** provides a summary of the audit assignments completed between 1<sup>st</sup> July 2018 and 4<sup>th</sup> September 2018. Members will note that the summary provides for each assignment: the Introduction, Scope & Objectives, Auditor’s stated opinion and a summary of all recommendations made for each audit review completed to final report stage within the stated period.
- 4.3 To help ensure Audit Committee effectively discharges the responsibility as set out in its Terms of Reference (and replicated at point 4.1 above), Members may wish to consider the principles noted below in addition to their own lines of enquiry:
- Are the conclusions made by Internal Audit reasonable / backed up by the findings reported?
  - Are the recommendations made by Internal Audit likely to support the necessary improvement in internal control?
- 4.4 Members will note that 4 audit assignments have been finalised in the period and are set out in Table 1 below.

Table 1 – finalised audit assignments

<b>EDUCATION &amp; LIFELONG LEARNING</b>
CARDINAL NEWMAN ROMAN CATHOLIC COMPREHENSIVE SCHOOL
CWMBACH COMMUNITY PRIMARY SCHOOL
DARRENLAS PRIMARY SCHOOL
POST 16 PLANNING & FUNDING 2017/18

**5. EQUALITY AND DIVERSITY IMPLICATIONS**

There are no equality and diversity implications as a result of the recommendations set out in the report.

**6. CONSULTATION**

There are no consultation implications as a result of the recommendations set out in the report.

**7. FINANCIAL IMPLICATION(S)**

There are no financial implications as a result of the recommendations set out in the report.



## **8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 8.1 The provision of regular information in respect of the Council's Internal Audit Service supports the Council in demonstrating compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 8.2 Regulation 7 (Internal Audit) of Part 3 of the 2018 Regulations directs that: "*A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.*"

## **9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

### THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan – *The Way Ahead*, in particular 'Living Within Our Means' through ensuring that appropriate internal controls are in place to effectively manage resources.

### WELL-BEING OF FUTURE GENERATIONS ACT

- 9.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

## **10. CONCLUSION**

- 10.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.
- 10.2 In doing so, it enables Members to form an opinion on the overall control environment of the Council at the end of the financial year.

### **Other Information:-**

**Relevant Scrutiny Committee**  
**Not applicable.**

**Contact Officer** – Marc Crumbie



**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**17<sup>th</sup> September 2018**

**FINALISED AUDIT ASSIGNMENTS**

**REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES**

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

**Item: 7**

**Background Papers**

None.

Officer to contact: Marc Crumbie



## Appendix 1 - Summary of audit assignments completed between 1<sup>st</sup> July 2018 and 4<sup>th</sup> September 2018

### EDUCATION & LIFELONG LEARNING

**AUDIT NAME: CARDINAL NEWMAN ROMAN CATHOLIC COMPREHENSIVE SCHOOL**

**DATE FINAL REPORT WAS ISSUED: 16/07/2018**

#### INTRODUCTION

Cardinal Newman Roman Catholic Comprehensive School is an 11 to 18 mixed English Faith school in Pontypridd. The School serves a wide catchment area, covering the Rhondda, Cynon, Taff Ely and Rhymney Valleys. There are currently 776 pupils on roll, of which there are 79 pupils in the sixth form. The proportion of pupils eligible for a free school meal currently stands at 13.63% which is below the national average 17.4%. The total budget for the School for the current financial year is in excess of £3.3m. The School was last subject to a routine audit review in February 2014 with a follow up review undertaken in February 2016. The Headteacher has confirmed that this report will be presented to the Full Governing Body at their Autumn Term 2018 meeting.

#### SCOPE & OBJECTIVES

All financial systems were considered and an assessment carried out in consultation with the Headteacher and Chair of Governors to identify those areas representing the highest risk to the School, and therefore necessitating review.

On the basis of this assessment, audit testing was carried out on the following areas of administration:

- Governance;
- Safeguarding;
- School Private Fund;
- Purchasing;
- Assets; and
- Petty Cash.

#### AUDIT OPINION

##### Governance

The control environment in respect of Governance is considered to be effective.

The roles and responsibilities of the Governing Body and its sub committees have been set out in writing. All minutes examined had been appropriately signed and the financial limits for delegated authority have been agreed and minuted. Staff involved in the financial decision making process have these

responsibilities delegated in their job descriptions and regular budgetary information from SIMS is provided to the Governing Body. A Register of Business Interests is in place at the School with all current declarations present at the time of audit.

There is one finding contained within this report relating to Governance, in that there are currently 3 Foundation Governor vacancies. It is however acknowledged that the Clerk to the Governors has advertised to fill these vacancies.

#### Safeguarding

The control environment in respect of Safeguarding & Educational Visits is considered to be effective, with opportunity for improvement.

Good practice is noted in that the School has established relevant Safeguarding and Child Protection Policies both of which were in place at the time of the audit review. The Child Protection Policy had recently been updated as part of the annual review process and was presented to the Governing Body on 5th February 2018. Following ratification, this was issued to all staff and a record made to demonstrate that each member of staff had received and read this Policy. A record is held at the School of staff who have been DBS checked and audit testing confirmed that no staff commenced employment at the school prior to the completion of the required pre-employment checks.

Level 1 training has been provided to the whole school, although no records were available to demonstrate that 1 member of staff and 3 casual members of staff have received formal training.

The School use the EVOLVE system to record details of residential / adventurous trips. Care should be taken to ensure that all trips/activities are entered within the correct timescales as this had not been done for any of the 5 trips examined. For routine off-site visits such as sporting fixtures/tournaments the Headteacher should ensure that a permanent record is made and retained, with staff made fully aware of their responsibilities for future events.

#### School Private Fund

The control environment in respect of the School Private Fund is considered to be effective.

The Treasurer maintains detailed records, with an adequate audit trail of all income and expenditure transactions. The account is subject to regular reconciliation and a copy of the most recent bank mandate is held on file. Evidence to support private fund expenditure incurred is also available at the School and there were no instances noted of fund expenditure that was not in line with the School Private Fund Regulations.

The School has standardised the process and records to be used for administering trips. A review of the records for 3 trips identified occasions where income had been received and recorded by the Treasurer on the Record of Daily Income; however, the subsidiary trip records had not been updated. This report recommends that all trip income records be passed to the Treasurer upon completion for assistance in reconciling the Statements of Account and identifying any errors.

#### Purchasing

The control environment in respect of the Purchasing System is considered to be effective.

There is a process in place in that all purchases are authorised by the budget holder prior to committing the School to expenditure. From a sample of 10 completed orders, 1 had not been authorised in accordance with this procedure. All payments in the sample examined were supported by valid VAT invoices and cheque signatories examine documentation prior to authorising cheques.

Whilst all cancelled cheques are retained at the School, inconsistencies were noted in that cheques are not always marked as cancelled or reference made

to any replacement cheque being issued. There were a large number of cancelled cheques at the School that had not been appropriately endorsed and could potentially be presented at a bank.

Assets

The control environment in respect of Assets is considered to be effective, and there are no findings contained within this report.

The School has a List of Building Development Priorities which covers the period 2017-19. There is a Service Level Agreement with the Local Authority and budgetary allocations are determined in accordance with the planned works of the Local Authority. The School Registrar is responsible for maintaining a list of all school electrical equipment, which is subject to annual review.

Petty Cash

The control environment in respect of the Petty Cash system is effective, and there are no findings contained within this report.

Expenditure from the account was minor in nature, had been authorised by the relevant budget holder and was adequately receipted. The account is reconciled by the School Bursar, who is independent of the day to day running of the account.

**SUMMARY OF RECOMMENDATIONS:**

<b>REPORT REF. &amp; PRIORITY</b>	<b>FINDING</b>	<b>RECOMMENDATION</b>	<b>IMPLEMENTATION DATE</b>
5.1.1  Low	<p>The membership of governing bodies is set out in Chapter 3 of The Government of Maintained Schools (Wales) Regulations 2005. The current composition of the School's Governing Body is as follows:</p> <ul style="list-style-type: none"> <li>• 9 Foundation Governors</li> <li>• 3 Parent Governors</li> <li>• 2 LEA Governors</li> <li>• 2 Teacher Governors</li> <li>• 1 Staff Governor</li> <li>• 1 Headteacher</li> </ul> <p>The number of Foundation Governors at a Faith School needs to 'outnumber the total number of all other Governors by 3'. Allowing for this requirement there should be 12 Foundation Governors in post as opposed to 9.</p>	<p>The School should continue to canvass to fill the Governor vacancies or make the necessary adjustments to the composition of the Governing Body so that the number of Foundation Governors outweighs the total number of all other Governors by 3 (and in doing so ensure compliance with Regulations).</p>	30 September 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	NB. It is acknowledged that an email was sent from the Clerk to the Governors to all Parishes on the 21st September 2017 advertising for Foundation Governors at the School.		
5.2.1 Medium	<p>Section 2.21 of Keeping Learners Safe: The role of local authorities, governing bodies and proprietors of independent schools under the Education Act 2002 (WAG circular 158/2015) states that: <i>'Governing Bodies should...ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date by refresher training'</i>.</p> <p>Although it was established that Level 1 refresher training was provided to the whole school on 4th September 2017, the School were unable to demonstrate that 4 members of staff have received formal training (this includes 3 casual members of staff).</p>	<p>As a minimum requirement all staff identified should receive level 1 refresher training as soon as possible.</p> <p>The training record in place at the School should be updated as and when training is delivered / received. This will allow any gaps/refresher training to be easily identified.</p>	30 September 2018
5.2.2 Low	<p>The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventure activities must be 'planned and approved using the Evolve system at least 28 days before visit'.</p> <p>Examination of a sample of five visits recorded on Evolve identified the following :</p> <p>St Cassains Centre Kintbury - 15.1.18 Not created on EVOLVE until 8.1.18</p>	Care should be taken to ensure that all trips / activities are entered onto EVOLVE within the correct timescales and are correctly classified in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.	30 September 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Fairwater Ski Lesson - 20.12.17 Not created on EVOLVE until 13.12.17</p> <p>Pembrey Skiing taster - 20.7.17 Not created on EVOLVE until 4.7.17</p> <p>Surfing 2017 - 20.7.17 Although the trip was created on EVOLVE within the correct timescales, the trip was not authorised at School until 27.06.17.</p> <p>Llangrannog 28.4.17 Although the trip was created on EVOLVE within the correct timescales, the trip was not authorised at School until 20.04.17.</p>		
5.2.3 Medium	<p>Although the document 'Planning and Approval Procedures for Educational Visits' states that Schools can determine their own planning and approval requirements for School trips, it also states that Schools are strongly advised to use the EVOLVE system.</p> <p>Examination of the EVOLVE system identified that whilst all school trips are entered onto EVOLVE, routine off-site visits such as sporting fixtures are not.</p> <p>Discussions with the Head of PE established that a team sheet is provided to the Attendance Officer with details of each sporting fixture, including the pupils attending. However, the records are destroyed immediately after the game has taken place.</p>	<p>In addition to manual risk assessments, EVOLVE should be used to document all off-site visits, including those in relation to sporting fixtures / tournaments etc.</p> <p>All staff should be made aware of their responsibilities to avoid any confusion over future responsibilities.</p>	31 December 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.3.1  Medium	<p>The Fund Secretary is responsible for receiving pupil payments in respect of School trips and updating the trip records, which are maintained on Excel. Income is then passed to the Fund Treasurer where it is recorded on the Record of Daily Income (RODI), Fund Ledger and subsequently banked.</p> <p>The records relating to 3 School trips were examined:</p> <ul style="list-style-type: none"> <li>• Cardiff Ski Board Centre</li> <li>• Oakwood</li> <li>• Harry Potter</li> </ul> <p>It was noted that while the trip records show the pupils name, amounts paid in instalments, total balance and amount outstanding, dates of receipt are currently not recorded.</p> <p>Furthermore, variances were noted between the trip income records and the RODI in respect of 2 trips (i.e. Oakwood &amp; Harry Potter) in that more income had been recorded by the Treasurer and banked than recorded by the Secretary on the trip record:</p> <p><b>Oakwood</b>            Trip Record – £1,072.50            RODI - £1,107.50            Difference - £35.00 more on RODI and banked</p> <p><b>Harry Potter</b>            Trip Record – £6,187.00            RODI - £6,522.00</p>	<p>An extra column should be added to the current trip income record to allow for the date of receipt to be recorded. Care should be taken to ensure that all income is recorded on both the trip records and RODI upon receipt.</p> <p>Once each trip has concluded, the trip income records should be printed and passed to the Fund Treasurer for retention and assistance in reconciling the Statements of Account to ensure that both sets of records correspond.</p>	Implemented



SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	Difference - £335.00 more on RODI and banked		
5.4.1 Medium	A review of the cancelled cheques present at the school revealed that a high volume of cheques were cancelled as a result of a printer jam. Examination of these cheques revealed that a number had not been fully endorsed as cancelled, and could potentially be presented at a bank.	All cancelled cheques should be clearly marked as 'Cancelled' stating the reason for the cancellation and making reference to any replacement cheque issued (if the case).	Implemented
5.4.2 Low	From a sample of 10 completed orders examined, 1 order had not been appropriately authorised by the budget holder (4931170102).	Care should be taken to ensure that all orders are authorised by the budget holder before the commitment to expenditure is made.	Implemented

**AUDIT NAME: CWMBACH COMMUNITY PRIMARY SCHOOL**

**DATE FINAL REPORT WAS ISSUED: 25/07/2018**

#### **INTRODUCTION**

The self-evaluation process is designed to evaluate the effectiveness of a school's financial and governance arrangements. The process requires primary schools to complete a self-evaluation checklist against expected controls.

Cwmbach Community Primary School was last subject to an Internal Audit Review in November 2014 and this is the second cyclical visit made to the School since the amalgamation of the former Infants and Junior schools to examine progress made under the self-evaluation process.

The Headteacher has confirmed that this report will be presented to the Full Governing Body at their Autumn Term 2018 meeting.

#### **SCOPE & OBJECTIVES**

The checklist for non-chequebook primary schools comprises of 105 standards that need to be reviewed. Audit testing was carried out on a sample of standards using transactions processed during financial year 2017/18 & 2018/19.

The objectives of the review were:

- To ensure compliance with Section 175 of the Education Act 2002, this requires Governing Bodies to have arrangements for exercising their functions with a view to Safeguarding.
- To ensure that the School Private Fund is appropriately administered in accordance with the requirements of the 2017 School Private Fund Regulations.
- To ensure that the Purchase Card is being used in accordance with the guidance and procedures issued by the Procurement Service.
- To ensure that all school meals income is identified, received and collected in accordance with Council Policy, arrears regularly reported and followed up and free meals only provided where entitlement has been confirmed by the Council.
- To ensure that all orders raised by the School are appropriate and reflected in the budget, are correctly authorised and comply with Financial Regulations.
- To ensure that all Formula Funding allocations are based on up to date and correct numbers of registered pupils, and an audit trail is maintained to ensure accountability and transparency of the numbers submitted.
- To ensure that the opportunities for unauthorised use of the School's IT equipment are restricted, that computer hardware and software is adequately protected and that the School and Governing Body are appropriately registered under the Data Protection Act.
- To review the governance arrangements in place at the School.

#### **AUDIT OPINION**

#### Governance

The control environment in respect of Governance is considered to be effective, with opportunity for improvement.

All statutory policies and documents were present at the time of the audit. Many of these had recently been reviewed following the appointment of the current Headteacher in October 2017, and were found to have been signed and dated by both the Chair of Governors and Headteacher. For some of the older policies, it was unclear as to when they were reviewed and presented to the Governing Body as many did not have cover sheets with these details recorded, and little evidence of them being presented to the Governing Body within meeting minutes.

A Register of Business Interests is in place; however there are currently 5 Governors who have yet to complete a declaration for this academic year. Discussion at the School revealed that none of these Governors have attended any meetings during the current academic year. The Headteacher should therefore liaise with the Governor Support Service regarding the attendance of the 5 Governors. The School currently has 1 Governing Body vacancy for which they should continue to endeavour to fill.

#### Safeguarding & Educational Visits

The control environment in respect of Safeguarding & Educational Visits is considered to be effective, with opportunity for improvement.

The School has a Child Protection Policy in place, this being reviewed in June 2017 and presented to the Governing Body in October 2017. A record is currently not made to demonstrate that each member of staff has received and read the Policy, and this report recommends that a record is introduced and held within the Safeguarding file.

Level 1 Safeguarding training was last undertaken by the whole School in April 2016. The Headteacher, Deputy Headteacher and three other members of staff have also received Level 3 safeguarding training. Certificates for the whole school and individual staff were present, however it was noted that both the Headteacher and Deputy Headteacher's Level 3 training was completed in November 2015, and is therefore due to be updated (as this is required every 2 years). The Headteacher maintains a training record showing details of all staff training provided and renewal dates, with copies of all certificates retained. All staff received a DBS check prior to commencing in post. The School use the Evolve system to document and authorise all planned trips that were audited.

#### Purchase Card

The control environment in relation to the Purchase Card is considered to be effective and there are no findings contained within this report.

There is one Purchase Card in operation at the School. A Transaction Log is maintained to record all expenditure and a card sharing log in place to document occasions where the card is used by other members of staff. All purchases reviewed were supported with documentation i.e. receipts, invoices, online orders, and a Record of Expenditure Without a Receipt pro-forma is in use.

#### School Private Fund

The control environment in relation to the School Private Fund is considered to be effective and there are no findings contained within this report.

The Treasurer maintains detailed records, with an adequate audit trail of all income and expenditure transactions. A manual ledger is maintained and this was found to be of an appropriate format, and was up to date at the time of the review. Income is banked weekly and the account reconciled to the bank statements monthly.

All expenditure within the sample was solely for the benefit of the pupils and was supported with receipts / vouchers. A review of the latest annual statement revealed that it was accurately completed and submitted in accordance with the deadlines contained within the School Private Fund Regulations.

School Meals

The control environment in relation to the School Meals system is considered to be effective and there are no findings contained within this report. School meals income is recorded directly onto SIMS, with meal numbers provided to Catering staff daily. Income is banked weekly and returns in respect of both catering and banking are submitted accordingly.

The School are sending reminders to parents in respect of dinner money arrears and Catering Finance provided with a ½ termly report. At the time of the visit only 2 pupils had arrears in excess of the 2 week limit and this was anticipated to be recovered in full prior to the end of Term.

Data Protection & Security

The control environment in relation to Data Protection & Security is considered to be effective and there are no findings contained within this report.

The School is currently registered with the Information Commissioner (expiry date July 2018). School data is backed up daily, this process being automated and a confirmation email sent to the School confirming completion.

The School inventory has recently been updated and IT equipment is asset registered and marked as the property of the School using permanent marker pen.

Formula Funding

The control environment in relation to Formula Funding is considered to be effective and there are no findings contained within this report.

Pupil numbers were reviewed and no discrepancies were noted.

Implementation of the recommendations contained within this report will enhance the control environment further.

**SUMMARY OF RECOMMENDATIONS:**

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1  Medium	It was difficult to establish when some of the School's Policies and documents were reviewed and when they are due to be reviewed / ratified / presented to the Governing Body due to the lack of information or detail included on the Policy document cover. While this was present on some occasions it was not the case for all policies and documents. It was also sometimes difficult to identify this from the Governing Body meeting minutes.	The Headteacher and Governing Body should ensure that they implement a rolling programme of review for all Policies. This will ensure that all Policies are up to date and reflect the current practices at the School.  Any policies that are updated/amended need to be presented to the Governing Body for	31 December 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	Note: It is acknowledged that the Headteacher has only been in post full time since October 2017, since which time a review process has commenced.	ratification with a record held of this (recorded via the minutes). Details should be captured on the document covers i.e. date reviewed, date to be reviewed, signed and dated.	
5.1.2 Low	The School currently has one vacancy on the Governing Body.  It is acknowledged that efforts have taken place to fill the vacancy.	The School should continue to endeavour to fill the vacancy as soon as possible.	Implemented
5.1.3 Medium	Section 2.9 of the Scheme for Financing Schools states that: <i>'Governing bodies are required to establish a register of business interests...which lists for each member of the governing body and the Head Teacher any business interests they or any member of their immediate family have. The register must be kept up-to-date by notification of changes from governors and the Head Teacher, and through an annual review process'</i> .  It was identified that there were 5 Governors who had yet to complete a Declaration of Business Interests for this academic year. Discussion at the School revealed that this was due to the Governors having not attended any meetings this academic year.	A declaration of business interests should be completed on an annual basis which details the business interests of all Governors, the Headteacher and any other staff who may influence financial decisions at the School.  The Headteacher should liaise with the Governor Support Service regarding the attendance of the 5 Governors.	31 December 2018
5.2.1 Medium	Point 3.1 of the Cwm Taf Safeguarding Children Board (CTSCB) Model Safeguarding Policy (that should be adopted by schools) states: <i>'The Designated Senior Person (DSP) for Child Protection will.....ensure that all staff have signed to say that they have received,</i>	The Headteacher should ensure that all staff sign to demonstrate that they have received, read and understood the latest Child Safeguarding Policy.	31 December 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p><i>read and understood the Child Safeguarding Policy'</i></p> <p>The School's Safeguarding / Child Protection Policy was ratified by the Governing Body and provided to all staff in October 2017. However, no formal record is made to demonstrate that each member of staff has received and read the Policy.</p>	<p>Good practice would be to introduce a proforma with all staff names included and attached to the Master Safeguarding Policy and held within the Safeguarding file.</p>	
<p>5.2.2</p> <p>Low</p>	<p>Section 2.21 of Keeping Learners Safe: The role of local authorities, governing bodies and proprietors of independent Schools under the Education Act 2002 (WAG circular 158/2015) states that:</p> <p><i>'Governing Bodies should ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date by refresher training'.</i></p> <p>While the School currently have 5 members of staff who are Level 3 trained, it was noted that for 2 of these staff the last training provided was in November 2015 and is therefore due for renewal.</p>	<p>The Headteacher should ensure that Safeguarding training is renewed as and when required for all members of staff, and those certificates are received and retained accordingly.</p>	<p>31 December 2018</p>

**AUDIT NAME: DARRENLAS PRIMARY SCHOOL**

**DATE FINAL REPORT WAS ISSUED: 16/08/2018**

#### **INTRODUCTION**

The self-evaluation process is designed to evaluate the effectiveness of a School's financial and governance arrangements. The process requires primary schools to complete a self-evaluation checklist against expected controls.

Darrenlas Primary School was last subject to an Internal Audit Review in June 2014 and this was the third cyclical visit made to the School to examine progress made under the self evaluation process.

The Headteacher has confirmed that this report will be presented to the Full Governing Body at their Autumn Term 2018 meeting.

#### **SCOPE & OBJECTIVES**

The checklist for chequebook primary schools comprises of 155 standards that need to be reviewed. Audit testing was carried out on a sample of standards using transactions processed during financial years 2017/18 and 2018/19.

The objectives of the review were:

- To review the Governance arrangements in place at the School.
- To ensure compliance with Section 175 of the Education Act 2002, this requires Governing Bodies to have arrangements for exercising their functions with a view to Safeguarding.
- To ensure that the School Private Fund is appropriately administered in accordance with the requirements of the 2017 School Private Fund Regulations.
- To ensure that the Purchase Card is being used in accordance with the guidance and procedures issued by the Procurement Service.
- To ensure that all school meals income is identified, received and collected in accordance with Council Policy, arrears regularly reported and followed up and free meals only provided where entitlement has been confirmed by the Council.
- To ensure that all orders raised by the School are appropriate and reflected in the budget, are correctly authorised and comply with Financial Regulations.
- To ensure that all Formula Funding allocations are based on up to date and correct numbers of registered pupils, and an audit trail is maintained to ensure accountability and transparency of the numbers submitted.
- To ensure that the opportunities for unauthorised use of the School's I.T. equipment are restricted, that hardware and software is adequately protected and that the School and Governing Body are appropriately registered under the Data Protection Act 2018.
- To ensure that the school's budget has been approved by the Governing body, is in line with the funding available, individual budget heads are reasonable and the budgetary information used for monitoring and reporting is complete, accurate and up-to-date.

- To ensure that petty cash is held securely, expenditure properly incurred and the account is appropriately monitored and controlled.

## AUDIT OPINION

### Governance

The control environment in respect of Governance is considered to be effective and there are no findings contained within this report.

The roles and responsibilities of the Governing Body and its sub committees have been set out in writing. The Governing Body and its sub committees have the requisite number of members and quorate levels for meetings were achieved. A Register of Business interests is in place at the School and is updated annually.

All statutory policies and documents are present at the School. These have recently been reviewed and been presented to the Governing Body for ratification, this being clearly recorded in the Governing Body minutes.

### Safeguarding & Educational Visits

The control environment in relation to Safeguarding and Educational Visits is considered to be effective, with opportunity for improvement.

All staff received the appropriate clearances before commencing duties in their posts and have received Safeguarding and Child Protection training. The School have a Safeguarding and Child Protection Policy, which is reviewed annually, and there was documentary evidence at the School to confirm that all members of staff have received a copy of the Policy, and have read and understood it.

The School make use of the EVOLVE system to record details of all off-site visits. Care should be taken to ensure that all trips and activities are entered on to EVOLVE and submitted for approval within the correct timescales as this had not been done for 2 of the 3 trips examined.

### School Private Fund

The control environment in relation to the School Private Fund is considered to be effective and there are no findings contained within this report.

The Treasurer maintains detailed records, with an adequate audit trail of all income and expenditure transactions. The Ledger was found to be of an appropriate format and was up to date at the time of the review. Income is banked regularly and the account reconciled to the bank statements monthly.

For the current academic year all expenditure examined was solely for the benefit of the pupils / School and in accordance with the School Private Fund Regulations. All items of expenditure examined were supported with receipts / invoices.

### Purchase Card

The control environment in relation to the Purchase Card is considered to be effective and there are no findings contained within this report.

There is one Purchase Card in operation at the School. A Transaction Log is maintained to record all expenditure and a card sharing log is in place to document occasions where the card is used by other members of staff. All purchases reviewed were supported with documentation i.e. receipts, invoices, and confirmation for on-line orders.

### Purchasing

The control environment in relation to the purchasing system is considered to be effective, with opportunity for improvement.

From a sample of 5 orders examined, 2 had been raised in retrospect after receipt of the goods and corresponding invoice. This report recommends that an



official order (confirmation if made by telephone) should be raised as soon as a commitment to expenditure is known.

School Meals

The control environment in relation to the School Meals system is considered to be effective and there are no findings contained within this report.

School meals income is recorded directly onto SIMS, with meal numbers provided to the Catering staff daily. Income is banked weekly and free school meals are only provided to pupils for whom eligibility has been confirmed and retained.

The School regularly send reminders to parents in respect of dinner money arrears and Catering Finance were provided with a ½ Termly report.

School Budget

The control environment in relation to the School Budget is considered to be effective and there are no findings contained within this report.

SIMS is updated with details of income in a timely manner and a bank reconciliation exercise is undertaken monthly. A regular review of the budget is undertaken by the Headteacher and details of the School's budgetary position is reported to the Governing Body at every meeting.

Data Protection & Security

The control environment in relation to Data Protection & Security is considered to be effective and there are no findings contained within this report.

The School is registered with the Information Commissioner and School data is backed up regularly. The School Inventory has recently been reviewed and IT equipment is asset registered.

Formula Funding

The control environment in relation to Formula Funding is considered to be effective and there are no findings contained within this report.

Pupil numbers were reviewed and no discrepancies were noted.

Implementation of the 2 recommendations contained within this report will enhance the control environment further.

**SUMMARY OF RECOMMENDATIONS:**

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1  Low	The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventurous activities must be 'planned and approved using the EVOLVE system at least 28 days before visit'.  Examination of a sample of trips recorded on EVOLVE revealed the following: Llanion Cove - 18.6.18 Created on EVOLVE 9.5.18	Care should be taken to ensure that all trips / activities are entered onto EVOLVE within the correct timescales in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.	31 October 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Not submitted for authorisation until 6.6.18</p> <p>Llangrannog - 17.6.16</p> <p>Created on EVOLVE 7.6.16</p> <p>Not submitted for authorisation until 6.8.18</p>		
5.2.1 Low	<p>Examination of a sample of five completed orders identified that two were raised on SIMS after receipt of the goods and/or the corresponding invoice:</p> <ul style="list-style-type: none"> <li>• 4119180000 - Raised 26.4.2018, invoice dated 27th March 2018</li> <li>• 4119180028 - Raised 8.6.2018, invoice dated 7th June 2018</li> </ul>	<p>An order (confirmation if made by telephone) should be raised on SIMS as soon as a commitment to expenditure is known. This will ensure that budgetary information on SIMS is as accurate as possible, has been authorised in the correct manner and that there is a hard copy of the items ordered at the School which can be used to check the subsequent delivery of goods and invoice.</p>	31 October 2018

**AUDIT NAME: POST 16 PLANNING & FUNDING 2017/18**

**DATE FINAL REPORT WAS ISSUED: 21/08/2018**

#### **INTRODUCTION**

The Director of Education & Lifelong Learning determines budget shares for secondary schools in accordance with a formula which complies with the Financing of Maintained Schools Regulations 1999. One of the key elements taken into account is the number of registered pupils at each school prescribed by the Post 16 Planning & Funding Department. For 2017/18, the Welsh Government delegated the responsibility for allocating £9.6 million of 6<sup>th</sup> Form Funding to the Director of Education & Lifelong Learning.

To calculate and delegate 6<sup>th</sup> Form Funding fairly, schools need to demonstrate that pupils are following full-time programmes and are attending the appropriate lessons. As a way to demonstrate this, schools are required to ensure that clear and efficient registration practices are in place and that they are accessible to the Local Authority for monitoring purposes.

#### **SCOPE & OBJECTIVES**

In accordance with the Internal Audit Plan for financial year 2017/18, agreed by Audit Committee, a review of the procedures relating to the submission of data used in the calculation of 6<sup>th</sup> Form Funding was undertaken.

The primary purpose of the review was to provide management with an opinion on the adequacy and effectiveness of the supporting systems of internal control surrounding 6<sup>th</sup> Form Funding allocation. The specific control objective was: -

- To ensure that 6<sup>th</sup> Form Funding allocations have been accurately calculated and allocated to schools.

The audit review was carried out on a sample of pupils included in the October 2017 data extracted by the 14 to 19 Strategy Officer from each school's pupil database for 6<sup>th</sup> Form Funding. The schools selected were: -

- Pontypridd High School;
- Y Pant Comprehensive School;
- Cardinal Newman Roman Catholic Comprehensive School;
- Ysgol Gyfun Garth Olwg;
- Hawthorn High School; and
- Tonyrefail Comprehensive School.

#### **AUDIT OPINION**

Overall, the control environment is considered to be effective with opportunity for improvement.

Internal Audit is able to provide assurance that the funding returns submitted to the 14 to 19 Strategy Officer have been accurately completed. Compared to

previous reviews in this area, there have been improvements made at the schools visited during this review with regards to their claims submitted when compared to pupil timetables and course manager, with pupil data and information correctly input.

Notwithstanding this, issues have been identified at schools that require further improvements in relation to the procedures for recording both Morning and Afternoon class registrations in order to evidence that pupils are actually attending school and the lessons that were claimed for can be verified.

Recording a pupil's attendance at school accurately is important for the pupil, the school and the Council. From the evidence examined at the six schools sampled for this review, not all schools were able to demonstrate pupils are undertaking and attending full-time educational programmes due to inconsistent attendance registration processes.

The Welsh Government has determined that part-time students are not eligible as part of the Post-16 Planning and Funding Arrangement. If both Morning and Afternoon registrations are not being taken, as this review has identified, pupils may appear to be only part-time students as schools cannot demonstrate that the pupils are attending school on a full-time basis. This could have an impact on the funding received and schools should be reminded of the importance of maintaining accurate registers. Additionally, Class Registers are not always being taken, with YG Garth Olwg and Hawthorn High School of particular concern, whilst at Tonyrefail Comprehensive, Class Registers are taken but attendance of pupils in these lessons is poor.

The data collected during the audit identified 21,984 unauthorised absences. One of the six schools allows their pupils to 'self certify' their absences which is not permitted. Occasions were also identified whereby schools confirmed they assume that pupils were in school.

There are pupils who attend Tonyrefail School from outside the catchment area and discussions identified that the School are paying for the pupils' Bus Passes should they not be from that area, as they do not qualify for Home to School Transport. To facilitate this, money donated to the School and held in a 'Trust Fund' is being used.

A copy of the Trust Fund Terms and Conditions were requested a number of times from the School to determine if the conditions of the Trust Fund allow for this type of expenditure; however the requests were not actioned by Management in place at the School.

Implementation of the recommendations included in the report will further enhance the internal controls already in place.

#### SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 High	<p>Within the Education (Pupil Registration) (Wales) 2010 Regulations, it is a requirement for schools to take both morning and afternoon registrations.</p> <p>However, the six schools sampled do not complete Morning and Afternoon registers appropriately.</p>	<p>Morning and Afternoon registrations should be taken for all pupils.</p> <p>Management should ensure periodic checks are in place to ensure schools are complying with this requirement.</p>	31 October 2018

	<p>Note: Cardinal Newman have their Year 13 pupils at Coleg y Cymoedd, Nantgarw whereby there is no Morning/Afternoon registration provision due to its college set up.</p> <p>Examples identified include:</p> <ul style="list-style-type: none"> <li>• No afternoon registrations for pupils. <ul style="list-style-type: none"> <li>○ Pupils with Lessons (either at Lesson 4 or 5 depending on the school) have their Afternoon mark taken in those Lessons. However any pupils with no lessons timetabled do not. Pupils are assumed on site unless they sign out, but schools are not sure.</li> </ul> </li> <li>• Hawthorn High School <ul style="list-style-type: none"> <li>○ No Morning/Afternoon registrations, the school rely on pupils signing themselves in, in the 6<sup>th</sup> form block. However, on examining the signing in/out forms, it was evident that pupils are either not doing this or are not attending school.</li> </ul> </li> </ul>		
5.1.2 High	<p>Each school should have Procedures in place in respect of attendance and absences, and how absences are followed up.</p> <p>Each school visited confirmed they have these in place.</p> <p>For the period 4<sup>th</sup> September 2017 to 11<sup>th</sup> April 2018, there were a cumulative total of 21,948 unauthorised absences at the sampled schools.</p> <p>Additionally, Hawthorn High School allow their Year 12 &amp; Year 13 pupils to 'self certify' their absences. The school will authorise an absence if the pupil gives an adequate reason for the absence. No formal confirmation is obtained from parents / guardians.</p>	<p>Schools should be reminded of the requirements in relation to school attendance and absences.</p> <p>Management should investigate the levels of unauthorised absences.</p> <p>Hawthorn High School should be instructed to cease the practice of 'self certification' by pupils for any absences.</p> <p>Management should ensure periodic checks are in place to determine whether schools are complying with requirements.</p>	31 October 2018
5.1.3	<p>At each of the schools sampled it was identified that class registers are not always being maintained for academic lessons as well as Key</p>	<p>Registers should be maintained for all subjects taught to ensure there is sufficient</p>	31 October 2018

High	<p>Skills and Welsh Bacculaureate lessons.</p> <p>This is of particular concern as it demonstrates that teachers are not fully aware of the implications of not completing class registers:</p> <p><b>Safeguarding</b></p> <ul style="list-style-type: none"> <li>Schools must ensure the whereabouts of children at all times.</li> </ul> <p><b>Funding</b></p> <ul style="list-style-type: none"> <li>Unless schools can demonstrate each pupil is attending in a full time capacity, then evidence to support funding may not be in place.</li> </ul> <p>Additionally the procedures for recording consortium lessons for 'visiting' pupils is deemed poor, as it was identified that schools are not liaising with each other to ensure pupils are attending and registers are up to date.</p> <p>The above issues were of particular concern at Ysgol Gyfun Garth Olwg and Hawthorn High.</p>	<p>evidence at each school to demonstrate that each pupil is attending the subjects as stated on their return.</p> <p>Schools need to be reminded that registers for consortium pupils also need to be maintained, with regular cross referencing between each consortium School.</p>	
5.1.4 High	<p>There are pupils who attend Tonyrefail School from outside the catchment area.</p> <p>Discussions identified that the School are paying for the pupils' Bus Passes as they do not qualify for Home to School Transport.</p> <p>To facilitate this, money donated to the school and held in a 'Trust Fund' is being used.</p> <p>A copy of the Trust Fund Terms and Conditions were requested a number of times from the School but the requests were not actioned by Management in place at the School.</p>	<p>Guidance should be sought from the Temporary Director of Education and Lifelong Learning to establish if this practice is appropriate going forward.</p> <p>If it is deemed appropriate, the School must formally document the arrangement to ensure there is transparency in respect of the administration for this area.</p>	31 October 2018