

Q1 WHY IS CIPFA PUBLISHING GUIDANCE NOW?

A Audit Committees are an essential feature of good governance in many sectors; yet local government shows a mixed pattern of adoption and practice. Rising public and media expectations about transparent governance arrangements have raised the bar. In England, Comprehensive Performance Assessment (CPA) sets a challenge for local authorities to ensure their Audit Committees work effectively. CIPFA would be failing in its responsibilities to local government and to Members if it failed to offer guidance at this important time.

Q2 IS CIPFA ACTING AS A MOUTHPIECE FOR REGULATORS?

A CIPFA has been promoting good standards in governance for some time. Audit Committees are ever more widely recognised across the public and private sectors, and internationally, as a core component of effective governance. It would be negligent for local authorities and the Institute to ignore these trends. The CIPFA guidance provides practical assistance to the authorities that choose to adopt its preferred independent Audit Committee model.

Q3 IS THE GUIDANCE ABOUT ACHIEVING A GOOD RATING IN COMPREHENSIVE PERFORMANCE ASSESSMENT?

A Significant practical experience of Audit Committees exists across the public sector. It makes sense to distil this learning for local authorities and create the opportunity for them to take advantage of it. One such advantage is that Audit Committees should enable councils subject to CPA to make better use of their resources, and so achieve more positive CPA judgements.

Q4 DOESN'T THE ROLE OF THE AUDIT COMMITTEE INTERFERE WITH THE ROLE OF THE CHIEF FINANCE OFFICER?

A The roles are mutually supportive. An effective Audit Committee is an additional source of assurance to the CFO that systems of internal control are working effectively, and that internal audit is operating in accordance with the Code of Practice. In turn, the Audit Committee relies on the CFO to provide advice and guidance. Some CFOs are concerned that the opportunity for external and internal auditors to meet privately with the Audit Committee might undermine their position. The guidance says that there should be the opportunity for such meetings as a practical outworking of auditor independence, just as CFOs should also have confidential access to Members in appropriate circumstances. However, CIPFA expects such meetings to be the exception rather than the rule.

Q5 IS THIS GUIDANCE PRESCRIPTIVE?

A CIPFA consulted widely on the principles underlying this guidance and found that there was substantial support for Audit Committees. However, at the same time, it was clear that there are a number of different ways of delivering Audit Committee functions. Prescriptive 'one size fits all' statements would therefore be inappropriate and unhelpful. What is important is that the functions of Audit Committees are discharged effectively and are recognised for their significance in relation to overall governance. Some local authorities may choose to adopt different arrangements other than those found in the CIPFA guidance. They should clearly be at liberty to do so. Whether authorities adopt this model guidance or an alternative arrangement, they

should be ready to justify their decisions to electors and other stakeholders through the usual accountability channels.

Q6 WHY IS CIPFA SAYING THAT THE AUDIT COMMITTEE SHOULD BE SEPARATE FROM SCRUTINY?

- A. The role of Scrutiny is to review policy and challenge whether the Executive has made the right decisions to deliver policy goals. This is different from the role of the Audit Committee which exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the authority, including the Scrutiny function, is operating effectively. That said, an Audit Committee's judgements may well be informed by the results of Scrutiny activity within the authority.

Both Audit Committees and the Scrutiny function deal with complex matters, sometimes requiring specialist knowledge and advice. They are likely to be more effective if they are required to focus on their own defined areas of business rather than a broader remit.

CIPFA recognises that some local authorities have already set up Audit Committees as part of scrutiny structures. Where authorities choose to continue this practice, they should again be prepared to justify their approach and to demonstrate how the Audit Committee function is independently and effectively discharged under such arrangements.

Q7 IS FURTHER GUIDANCE PLANNED?

- A CIPFA is aware that for many local authorities establishing or redesigning an Audit Committee will involve a steep learning curve. The Institute is keen to maintain a dialogue with local authorities on this subject and will be pleased to issue update bulletins and revisions to the guidance as further practical lessons are learned.

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